GREENVILLE-SPARTANBURG AIRPORT DISTRICT

FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

As of and for the Years Ended June 30, 2012 and 2011

And

Independent Auditors' Reports

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

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CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

To the Commissioners of
Greenville-Spartanburg Airport District:

We have audited the accompanying statements of net assets of the Greenville-Spartanburg Airport District (the "Airport"), a political subdivision of the State of South Carolina, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Greenville-Spartanburg Airport District as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cherry, Bekaert + Holland, L.L.P.

Greenville, South Carolina
September 6, 2012

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, 2012 and 2011, 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 Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; a Statement of Cash Flows; and Notes to Financial Statements. The Statement of Net Assets 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 Assets present the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. 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, and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

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

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET ASSETS, JUNE 30, 2012 AND 2011

	June 30			
	2012	2011	Change	%
Assets:				
Cash and investments	$ 87,843,801	$ 88,222,464	$ (378,663)	(0.43)
Bond funds	354,406	1,115,598	(761,192)	(68.23)
Receivables	3,306,167	3,738,692	(432,525)	(11.57)
Capital assets - net	121,784,897	117,417,361	4,367,536	3.72
Other	492,219	470,423	21,796	4.63
Total assets	$ 213,781,490	$ 210,964,538	$ 2,816,952	1.34
Liabilities:				
Current liabilities	$ 3,856,559	$ 2,478,461	$ 1,378,098	55.60
Long-term liabilities	6,289,256	9,907,033	(3,617,777)	(36.52)
Total liabilities	10,145,815	12,385,494	(2,239,679)	(18.08)
Net assets:				
Invested in capital assets - net	115,872,574	106,976,087	8,896,487	8.32
Restricted	863,095	1,301,600	(438,505)	(33.69)
Unrestricted	86,900,006	90,301,357	(3,401,351)	(3.77)
Total net assets	203,635,675	198,579,044	5,056,631	2.55
Total	$ 213,781,490	$ 210,964,538	$ 2,816,952	1.34

- As can be seen from the above, the Airport has a very strong Statement of Financial Position. Liquidity continues to be very strong – cash and investments alone outweigh current liabilities over twenty fold. Total net assets, exclusive of liabilities, is $203,635,675 of which $86,900,006 is unrestricted.

- Total assets at June 30, 2012 were approximately $214 million, which included $8 million in cash and receivables, $82 million in investments, $350 thousand in investments held by US Bank (GSP's Revenue Bond Trustee), and $122 million in capital assets. Total liabilities were $10 million, $3 million of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the $214 million in assets and the $10 million in liabilities is categorized as Net Assets ($204 million) and is composed of $116 million invested in capital assets (net of related debt), $1 million in restricted assets to be used for capital projects, and $87 million in unrestricted assets.

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET ASSETS, JUNE 30, 2011 AND 2010

	June 30			
	2011	2010	Change	%
Assets:				
Cash and investments	$ 88,222,464	$ 87,029,182	$ 1,193,282	1.37
Bond funds	1,115,598	2,969,986	(1,854,388)	(62.44)
Receivables	3,738,692	4,091,360	(352,668)	(8.62)
Capital assets - net	117,417,361	120,972,453	(3,555,092)	(2.94)
Other	470,423	571,370	(100,947)	(17.67)
Total assets	$ 210,964,538	$ 215,634,351	$(4,669,813)	(2.17)
Liabilities:				
Current liabilities	$ 2,478,461	$ 2,837,952	$ (359,491)	(12.67)
Long-term liabilities	9,907,033	18,117,931	(8,210,898)	(45.32)
Total liabilities	12,385,494	20,955,883	(8,570,389)	(40.90)
Net assets:				
Invested in capital assets - net	106,976,087	102,607,710	4,368,377	4.26
Restricted	1,301,600	2,922,938	(1,621,338)	(55.47)
Unrestricted	90,301,357	89,147,820	1,153,537	1.29
Total net assets	198,579,044	194,678,468	3,900,576	2.00
Total	$ 210,964,538	$ 215,634,351	$(4,669,813)	(2.17)

- As can be seen from the above, the Airport had a very strong Statement of Financial Position. Liquidity was strong – cash and investments alone outweighed current liabilities over twenty fold. Total net assets, exclusive of liabilities, was $198,579,044, of which $90,301,357 is unrestricted.

- Total assets at June 30, 2011 were approximately $211 million, which included $10 million in cash and receivables, $82 million in investments, $1 million in investments held by US Bank (GSP's Revenue Bond Trustee), and $117 million in capital assets. Total liabilities were $12 million, $7 million of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the $211 million in assets and the $12 million in liabilities was categorized as Net Assets ($199 million) and is composed of $107 million invested in capital assets (net of related debt), $1 million in restricted assets to be used for capital projects, and $91 million in unrestricted assets.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, JUNE 30, 2012 AND 2011

	June 30			
	2012	2011	Change	%
Operating revenues:				
Landing and other airside fees	$ 2,422,773	$ 2,609,565	$ (186,792)	(7.16)
Space and ground rental fees	5,931,549	6,111,712	(180,163)	(2.95)
Concessions revenue	12,200,620	10,611,416	1,589,204	14.98
Expense reimbursements	530,631	558,116	(27,485)	(4.92)
Other revenue	1,182,843	351,173	831,670	236.83
Total operating revenues	22,268,416	20,241,982	2,026,434	10.01
Operating expenses:				
Direct operating expenses	11,759,238	12,080,768	(321,401)	(2.66)
Loss on disposal of assets	181,644	145,348	36,296	24.97
Depreciation	9,240,394	8,808,807	431,587	4.90
Total operating expenses	21,181,276	21,034,923	146,482	0.70
Operating income	1,087,140	(792,941)	1,879,952	(237.09)
Non-operating income (expense)	1,262,000	506,534	755,466	149.14
Income before capital contribution	2,349,140	(286,407)	2,635,418	(920.17)
Capital contributions	2,707,491	4,186,983	(1,479,492)	(35.34)
Change in net assets	$ 5,056,631	$ 3,900,576	$ 1,155,926	29.63

- Total operating revenues were $22,268,416 for the fiscal year ended June 30, 2012, up 10.01% from $20,241,982 as compared to the prior year. This increase was primarily the result of increased concession revenues, the byproduct of increased enplanements.

- Total direct operating expenses were $11,759,238 for the fiscal year ended June 30, 2012, down 2.66% from $12,080,768 as compared to the prior year. This decrease was largely due to marketing incentives initiated in order to attract new service from existing and potential airlines in the fiscal year ended June 30, 2011.

- Depreciation expense was $9,240,394 for the fiscal year ended June 30, 2012, as compared to $8,808,807 in the fiscal year ended June 30, 2011.

- Non-operating income was $1,262,000 for the fiscal year ended June 30, 2012, as compared to $506,534 in the fiscal year ended June 30, 2011 primarily as a result of increased CFC revenues as a byproduct of increased traffic.

- The debt service coverage ratio was 2,977%, which exceeded the 125% required by the debt covenants of GSP's various bond issues.

- The blended result of increased operating revenues, depreciation expense and non-operating income, along with decreased operating expenses, as discussed above resulted in GSP's net income before capital contribution of $2.3 million (fiscal year ended June 30, 2012) compared to net loss of $0.3 million (fiscal year ended June 30, 2011).

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, JUNE 30, 2011 AND 2010

	June 30			
	2011	2010	Change	%
Operating revenues:				
Landing and other airside fees	$ 2,609,565	$ 2,819,956	$ (210,391)	(7.46)
Space and ground rental fees	6,111,712	6,221,583	(109,871)	(1.77)
Concessions revenue	10,611,416	9,243,201	1,368,215	14.80
Expense reimbursements	558,116	460,516	97,600	21.19
Other revenue	351,173	283,898	67,275	23.70
Total operating revenues	20,241,982	19,029,154	1,212,828	6.37
Operating expenses:				
Direct operating expenses	12,080,768	11,249,448	831,320	7.39
Loss on disposal of assets	145,348	1,908,001	(1,762,653)	(92.38)
Depreciation	8,808,807	8,579,401	229,406	2.67
Total operating expenses	21,034,923	21,736,850	(701,927)	(3.23)
Operating income	(792,941)	(2,707,696)	1,914,755	(70.72)
Non-operating income (expense)	506,534	305,664	200,870	65.72
Income before capital contribution:	(286,407)	(2,402,032)	2,115,625	(88.08)
Capital contributions	4,186,983	10,346,785	(6,159,802)	(59.53)
Change in net assets	$ 3,900,576	$ 7,944,753	$(4,044,177)	(50.90)

- Total operating revenues were $20,241,982 for the fiscal year ended June 30, 2011, up 6.37% from $19,029,154 as compared to the prior year. This increase was primarily the result of increased public parking revenues.

- Total direct operating expenses were $12,080,768 for the fiscal year ended June 30, 2011, up 7.39% from $11,249,448 as compared to the prior year. This increase was largely due to marketing incentives initiated in order to attract new service from existing and potential airlines.

- Loss on disposal of assets was $145,348 for the fiscal year ended June 30, 2011, as compared to $1,908,001 in the fiscal year ended June 30, 2010. The prior year included a new runway overlay project that replaced certain portions of the old runway that was not yet fully depreciated.

- The debt service coverage ratio was 765%, which exceeded the 125% required by the debt covenants of GSP's various bond issues.

- The blended result of increased operating revenues, increased operating expenses and decreased non-operating loss on disposal of assets as discussed above resulted in a decrease in GSP's net loss before capital contribution of $0.3 million (fiscal year ended June 30, 2011) compared to $2.4 million (fiscal year ended June 30, 2010).

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. And 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
- Passenger travel will continue to grow at reduced rates, but airline capacity will shrink. This combination will cause planes to get more crowded, and is likely to remain that way.
- Passenger miles flown on domestic flights are expected to decrease this year and grow an average 2.8% per year over the next two decades
- Over the next two decades, U.S. airline travel is expected to nearly double
- Further airline consolidation in North America is likely
- Two of the larger risks facing airlines, especially those in Europe, include rising oil prices and Europe's sovereign debt crisis.

The Boyd International Aviation Forecasting & Strategic Solutions Group has predicted that (*Prospects for the Airline Industry In 2012; January 12, 2012*) "in 2012, airlines will accelerate the mothballing of smaller 50-seat jets, the workhorses for connecting service between many midsize airports, and even some big ones. Many airlines will continue shrinking overall capacity and trimming domestic routes in 2012" to preserve profitability.

The FAA's (Federal Aviation Administration) Aerospace Forecast for 2012-2032 contains the following "Forecast Highlights":

> Since the beginning of the century, the commercial air carrier industry has suffered several major shocks that have led to reduced demand for air travel. These shocks include the terror attacks of September 11, skyrocketing prices for fuel, debt restructuring in Europe and the United States (U.S.), and a global recession. To manage this period of extreme volatility, air carriers have fine-tuned their business models with the aim of minimizing financial losses by lowering operating costs, eliminating unprofitable routes and grounding older, less fuel efficient aircraft. To increase operating revenues, carriers have initiated new services that customers are willing to purchase. Carriers have also started charging separately for services that were historically bundled in the price of a ticket. The capacity discipline exhibited by carriers and their focus on additional revenue streams bolstered the industry to profitability in 2011 for the second consecutive year. Going into the next decade, there is cautious optimism that the industry has been transformed from that of a boom-to-bust cycle to one of sustainable profits.
>
> As the economy recovers from the most serious economic downturn and slow recovery in recent history, aviation will continue to grow over the long run. The 2012 FAA forecast now calls for one billion passengers in 2024, three years later than projected last year. Growth over the next five years will be moderate, with a return to historic levels of growth only attainable in the long term. This delayed trajectory represents the downward adjustments of the overall economy, here in the U.S. and abroad, and the aviation sector's responses. One of the many factors influencing the delayed recovery is the uncertainty that surrounds the U.S. and European economies. The latter, primarily those belonging to the Euro area, have been hit hard by the pressure from bond markets for fiscal austerity. Combined with the slow pace of these economies, debt restructuring pulled the European economy into recession in early 2012. This has not helped the pace of U.S. economic growth given the importance of its trade with Europe. Despite this and the ambiguity surrounding its own fiscal imbalances, the U.S. economy has managed to avoid a double dip recession and trudges along the path of slow recovery.
>
> System capacity in available seat miles (ASMs) – the overall yardstick for how busy aviation is both domestically and internationally – will remain flat this year after posting a 3.4 percent increase in 2011; it will then grow at an average annual rate of 3.1 percent through 2032. In the domestic market, capacity overall shrinks by 0.8 percent in 2012 after having registered an increase of 2.0 percent in 2011. Domestic capacity is projected to grow at an average annual rate of 2.5 percent for the remainder of the forecast period. Domestic mainline carrier capacity will decrease by 0.8 percent in 2012 after registering a one-year increase in 2011 of 2.3 percent following three years of decline. For the regional carriers, domestic capacity will shrink by 0.5 percent from 2011 levels thus registering another decline after shrinking in 2009 – the only two periods when the industry has shrunk since deregulation. Commercial air carrier domestic revenue passenger miles (RPMs) are forecast to shrink 0.2 percent in 2012, and then grow at an average of 2.8 percent per year through 2032; domestic enplanements in

2012 will decrease 0.1 percent, and then grow at an average annual rate of 2.4 percent for the remainder of the forecast.

The average size of domestic aircraft is expected to increase by 0.2 seats in FY 2012 to 122.8 seats. Average seats per aircraft for mainline carriers are projected to stay relatively flat 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 2012 by 0.5 seats to 56.8 seats per mile. Passenger trip length in domestic markets will decrease by 1.3 miles during the same period.

Although the slow growth and expectations of a European recession has dampened the near term prospects for general aviation, the long-term outlook remains favorable. We see growth in business aviation demand over the long term driven by a growing U.S. and world economy especially in the turbo jet and turbine rotorcraft markets. As the fleet grows, the number of general aviation hours flown is projected to increase an average of 1.7 percent a year through 2032.

The global economy is facing a prospect of slow growth again including a possible recession in the first part of the year in Europe which may slow the demand for air travel. Profitability for U.S. carriers will hinge on a stable environment for fuel prices, an increase in demand for corporate air travel, maintaining the ability to pass along fare increases to leisure travelers, and the continual generation of ancillary revenues. To navigate this volatile operating environment, mainline carriers will continue to drive down costs by better matching flight frequencies and/or aircraft gauge with demand, delaying deliveries of newer aircraft and/or grounding older aircraft, along with pressuring regional affiliates to accept lower fees for contract flying. Over the long term, we see a competitive and profitable industry characterized by increasing demand for air travel and airfares growing more slowly than inflation.

Source: FAA Forecast Highlights 2012-2032

Moody's Investor Service Airport Industry Outlook

Moody's has assigned a negative outlook for the short-term (12-18 months) US Airport industry sector. This outlook is based upon several observations:

- Enplanement growth will be limited by a struggling economic recovery (Moody's is projecting growth to be in the +1% to -4% range)
- Seat capacity will continue to decline due to further airline consolidation
- Domestic and international economic conditions do not favor growth, especially considering European debt concerns and likely impacts on the US economy
- The economic downturn of the last 3-4 years has generally weakened domestic airport financial health and reduced flexibility. "We see financial metrics declining in 2012, or remaining flat at best."

Overall, Moody's does not expect to change the negative outlook until the sector stabilizes and consistent positive enplanement growth is realized.

Source: Moody's Investor Service 12-18 month outlook on US Airport Industry … January 21, 2012

GSP (Greenville-Spartanburg International Airport) 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 are pleased to report that Southwest Airlines, the nation's leading low fare carrier, started service at GSP on March 13th, 2011 with 7 daily non-stops (2 to BWI, 2 to Chicago, 1 to Houston, 1 to Nashville, and 1 to Orlando). Some of our legacy carriers have also increased capacity and lowered fares. Consequently, we are recapturing much of the passenger leakage that we have historically lost to Atlanta and Charlotte. This has resulted in a rather dramatic increase in passenger enplanements. We are quickly approaching the 1 Million enplanement threshold, which would, of course, represent a historical record for GSP.

As passenger traffic increases, so will associated parking lot fees, rental car fees, and other concession fee / revenue streams to the Airport. For the fiscal year ended June 30, 2012 our enplanements have increased 24.88%.

Another major project initiative currently underway is a redesign of our aging terminal facilities. This $115 million project has just started the construction phase which is expected to be completed in January, 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 Airport Master Plan update which was approved in February 2004. 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 ASSETS

JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current assets:		
Cash	$ 4,969,496	$ 6,043,090
Receivables	464,994	733,418
Inventories and prepaid insurance	428,169	354,039
Investments	82,471,012	81,997,246
Notes receivable - current portion	185,284	175,625
Total current assets	88,518,955	89,303,418
Restricted assets:		
Cash	403,293	182,128
Receivables	219,800	208,276
Investments - held by Trustee	354,406	1,115,598
Total restricted assets	977,499	1,506,002
Notes receivable - net of current portion	2,436,089	2,621,373
Deferred bond financing costs - net	64,050	116,384
Capital assets - at cost:		
Land	40,113,111	37,783,836
Buildings and equipment	127,210,069	128,749,171
Runways	70,121,168	70,121,168
Construction-in-progress	7,237,846	656,490
Total capital assets	244,682,194	237,310,665
Less accumulated depreciation	(122,897,297)	(119,893,304)
Capital assets - net	121,784,897	117,417,361
Total	$ 213,781,490	$ 210,964,538

	2012	2011
LIABILITIES AND NET ASSETS		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	$ 3,316,871	$ 1,623,434
Deferred credits - current portion	185,284	175,625
Total payable from unrestricted assets	3,502,155	1,799,059
Payable from restricted assets:		
Accrued interest payable	114,404	204,402
Revenue bonds - current portion	240,000	475,000
Total payable from restricted assets	354,404	679,402
Total current liabilities	3,856,559	2,478,461
Deferred credits - net of current portion	2,436,089	2,621,373
Long-term employee benefits	738,167	725,214
Revenue bonds payable - net of current portion, unamortized bond discount of $0 and $19,554 at June 30, 2012 and 2011, respectively.	3,115,000	6,560,446
Total liabilities	10,145,815	12,385,494
Commitments and contingencies (Note 9)		
Net assets:		
Invested in capital assets - net of related debt	115,872,574	106,976,087
Restricted:		
Held by Trustee	240,002	911,196
Contract facility charges	623,093	390,404
Total restricted	863,095	1,301,600
Unrestricted	86,900,006	90,301,357
Total net assets	203,635,675	198,579,044
Total	$ 213,781,490	$ 210,964,538

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Operating revenues:		
Airside	$ 2,422,773	$ 2,609,565
Space and ground rental	5,931,549	6,111,712
Concessions	12,200,620	10,611,416
Other	1,713,474	909,289
Total operating revenues	22,268,416	20,241,982
Operating expenses before loss on disposal of assets and depreciation:		
Airfield	260,174	289,396
Terminal building	1,845,043	2,025,006
Administrative	3,424,721	3,671,267
Maintenance and operations	2,676,063	2,375,542
Fire and crash department	951,371	1,056,810
Security	931,046	971,571
Other direct expenses	1,670,820	1,691,176
Total operating expenses before loss on disposal of assets and depreciation	11,759,238	12,080,768
Operating income before loss on disposal of assets and depreciation	10,509,178	8,161,214
Loss on disposal of assets	181,644	145,348
Depreciation	9,240,394	8,808,807
Operating (loss) income	1,087,140	(792,941)
Nonoperating revenues (expenses):		
Contract facility charges	1,522,950	1,066,365
Interest on accounts	82,744	479,967
Change in fair value of investments	(42,849)	(422,787)
Interest and other financing costs - net	(300,845)	(617,011)
Nonoperating revenues (expenses) - net	1,262,000	506,534
(Loss) income before capital contributions	2,349,140	(286,407)
Capital contributions	2,707,491	4,186,983
Increase in net assets	5,056,631	3,900,576
Net assets:		
Beginning of year	198,579,044	194,678,468
End of year	$ 203,635,675	$ 198,579,044

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Cash received from providing services	$ 22,536,840	$ 20,235,643
Cash payments to suppliers for goods and services	(4,343,318)	(6,437,892)
Cash payments to employees for services	(5,776,407)	(5,515,214)
Net cash provided by operating activities	12,417,115	8,282,537
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(13,796,827)	(5,399,064)
Net proceeds from sale of investments - held by Trustee	761,192	1,854,387
Principal payments on bonds	(3,680,446)	(8,645,000)
Interest payment on bonds	(338,509)	(761,101)
Capital contributions	2,707,491	4,387,341
Contract facility charges	1,511,426	1,048,233
Net cash used in capital and related financing activities	(12,835,673)	(7,515,204)
Cash flows from investing activities		
Net purchase and maturity of investment securities	(516,615)	1,860,041
Investment income	82,744	770,558
Net cash provided by (used in) investing activities	(433,871)	2,630,599
Net increase (decrease) in cash	(852,429)	3,397,932
Cash:		
Beginning of year	6,225,218	2,827,286
End of year	$ 5,372,789	$ 6,225,218
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	$ 1,087,140	$ (792,941)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,240,394	8,808,807
Amortization of deferred credit		
Loss on disposal of capital assets	181,644	145,348
Change in assets and liabilities:		
Trade and other receivables	268,424	(286,615)
Inventories and prepaid insurance	(74,130)	(10,644)
Trade accounts payable and accrued liabilities	1,700,690	410,050
Other long-term liabilities	12,953	8,532
Total adjustments	11,329,975	9,075,478
Net cash provided by operating activities	$ 12,417,115	$ 8,282,537

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

Note 1—Organization

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

Note 2—Summary of significant accounting and reporting policies

Basis of Presentation — Due to its organizational structure, the Airport is subject to the application of accounting pronouncements issued by the Governmental Accounting Standards Board (GASB). GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, provides guidance on how GASB pronouncements affect governmental entities that use business-type accounting and financial reporting. As is allowable under this statement, the Airport has elected to follow the GASB hierarchy exclusively regarding authoritative literature issued after November 30, 1989.

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, all highly liquid investments (including restricted assets) with an original maturity of three months or less, and which are not limited as to their use, are considered to be cash equivalents and are recorded at fair market value. The cash equivalents as of June 30, 2012 and 2011 were $62,063,446 and $44,998,887, 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, 2012 and 2011, 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 6 months in such a fashion that a portion of the portfolio matures each month and as such are reported in current assets in the accompanying statements of net assets.

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

Deferred Bond Financing Costs — Costs incurred in connection with the issuance of long-term debt are deferred and amortized over the life of the related bond issuance using the effective interest method. Unamortized bond financing costs are reported in the accompanying statements of net assets as deferred bond financing costs, net of accumulated amortization.

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

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

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources requiring segregation of deferred outflows and inflows from assets and liabilities for both governmental financial statements and accrual basis financial statements. The standard amends the net asset reporting requirements in GASB 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, effective for periods beginning after June 15, 2013, replaces the requirements of Statement No. 25 and 50, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The standard provides for financial statements to be presented in accordance with Statement No. 63, which separates the deferred inflows and outflows and arrives at a net position, and requires disclosure of the pension plan's fiduciary net position, net pension liability, the pension plan's fiduciary net position as a percentage of total pension liability, and related assumptions used to calculate the pension liability. The standard also provides for presentation of required supplementary information for each of the 10 most recent fiscal years, including the sources of changes in the net pension liability and information about the components of the liability and related ratios.

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

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

Capital Assets — Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 25 years. The Airport's threshold for capitalization is $10,000. Repair and maintenance costs are expensed when incurred. Changes in accumulated depreciation during 2012 and 2011 are as follows:

	Fixed Assets Acquired by FAA Grants	Other Fixed Assets	Total Fixed Assets
Accumulated depreciation - June 30, 2010	$ 53,463,085	$ 58,719,955	$ 112,183,040
Fiscal year 2011 depreciation	5,462,199	3,346,607	8,808,806
Less - 2011 capital asset write-offs	(451,744)	(646,798)	(1,098,542)
Accumulated depreciation - June 30, 2011	58,473,540	61,419,764	119,893,304
Fiscal year 2012 depreciation	5,574,472	3,665,922	9,240,394
Less - 2012 capital asset write-offs	(492,907)	(5,743,494)	(6,236,401)
Accumulated depreciation - June 30, 2012	$ 63,555,105	$ 59,342,192	$ 122,897,297

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, 2012 and 2011, respectively. 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 non-operating revenue in the accompanying statements of revenues, expenses, and changes in net assets. The Airport has recorded the total amount of reimbursement outstanding from the rental car companies at June 30, 2012 and 2011, as notes receivable and deferred credits totaling $2,621,373 and $2,796,998, respectively, in the accompanying statements of net assets.

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

For the years ended June 30, 2012 and 2011, the Airport has recorded CFCs related to space and ground rental as operating revenue of $666,573 and $655,870, respectively, in addition to non-operating revenue consisting of the following:

	2012	2011
Funding of Series 2001 Bonds	$ 468,811	$ 467,716
Reimbursement of Airport-funded construction costs	329,460	329,460
CFC surplus receipts	724,679	269,198
	$ 1,522,950	$ 1,066,374

Additionally, as of June 30, 2012 and 2011, the Airport had received but not yet spent CFCs totaling $403,293 and $182,128, respectively, which are reported as restricted net assets in the accompanying statements of net assets until expended.

Net Assets — Net assets are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

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

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

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

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

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

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

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

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

Compensated Absences — During the 2010 fiscal year GSP amended its personnel policies related to compensated absences. Employees now 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. Under the previous policy, unused vacation hours could not be carried over to the next year. 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 assets.

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, 2012 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 assets.

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 market. The carrying amount of cash deposits is separately reported as cash in the accompanying statements of net assets. These deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level 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.

Note 3—Cash and Other Financial Instruments (continued)

Airport cash accounts are part of a nightly multi-account sweep with a major financial institution's automated investment system repurchase agreement. The overnight repurchase agreements are collateralized by the underlying U.S. government securities. Public fund accounts, according to state law, are required to be collateralized using 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, 2012 and 2011, the Airport's cash deposits totaled $5,372,789 and $6,225,218, respectively, of which $250,000 was covered by federal depository insurance and the remainder was 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, 2012 and 2011, no allowance for uncollectible amounts was recorded.

Receivables (including restricted assets) consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Trade and contract facility charge	$ 618,999	$ 750,116
Interest and other	65,795	191,578
	$ 684,794	$ 941,694

Note 5—Investments

At June 30, 2012 and 2011, the Airport's investment balances, recorded at fair value, were $82,471,012 and $81,997,246, respectively. Of these amounts, at June 30, 2012 $55,405,005 was invested in U.S. Treasury bills and notes, $12,023,581 in the South Carolina Local Government Investment Pool program and $15,042,426 in the Capital Bank CDARS program. At June 30 2011, $81,997,246 was invested in U.S. Treasury bills and notes

All investments held at June 30, 2011 and 2010 have maturities of less than one year and have an AAA rating. In addition, investments with fair values of $354,406 and $1,115,598 as of June 30, 2012 and 2011, respectively, were held by a trustee.

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.

Note 5—Investments (continued)

Credit Risk — The Airport has no written policy regarding credit risk. However, a conservative investment strategy is maintained. Currently, management only invests in U.S. Treasury bills.

Custodial Credit Risk — For an investment, the custodial 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. The Airport has no written policy on custodial credit risk.

Concentration of Credit Risk — The Airport places no limit on the amount that the Airport may invest in any one issuer. All of the Airport's investments are in U.S. Treasury bills.

Note 6—Capital assets

A summary of changes in capital assets during fiscal 2012 and 2011 is as follows:

	June 30, 2011	Additions	Transfers/ Disposals	June 30, 2012
Capital assets not being depreciated:				
Land	$ 37,783,836	$ 2,329,275	$ -	$ 40,113,111
Construction-in-process	656,490	10,024,402	(3,443,046)	7,237,846
Total capital assets not being depreciated	38,440,326	12,353,677	(3,443,046)	47,350,957
Capital assets being depreciated:				
Buildings and equipment	128,749,171	4,886,199	(6,425,301)	127,210,069
Runways	70,121,168	-	-	70,121,168
Total capital assets being depreciated	198,870,339	4,886,199	(6,425,301)	197,331,237
Total accumulated depreciation	(119,893,304)	(9,240,394)	6,236,401	(122,897,297)
Net capital assets	$ 117,417,361	$ 7,999,482	$ (3,631,946)	$ 121,784,897

Note 6—Capital assets (continued)

	June 30, 2010	Additions	Tranfers/ Disposals	June 30, 2011
Capital assets not being depreciated:				
Land	$ 37,783,836	$ -	$ -	$ 37,783,836
Construction-in-process	2,389,549	3,174,173	(4,907,232)	656,490
Total capital assets not being depreciated	40,173,385	3,174,173	(4,907,232)	38,440,326
Capital assets being depreciated:				
Buildings and equipment	122,826,576	7,132,123	(1,209,528)	128,749,171
Runways	70,155,532	-	(34,364)	70,121,168
Total capital assets being depreciated	192,982,108	7,132,123	(1,243,892)	198,870,339
Total accumulated depreciation	(112,183,040)	(8,808,807)	1,098,543	(119,893,304)
Net capital assets	$ 120,972,453	$ 1,497,489	$ (5,052,581)	$ 117,417,361

Note 7—Revenue bonds

A summary of the revenue bond changes during fiscal 2012 and 2011 is as follows:

	Outstanding June 30, 2011	Net Cash Disbursements	Amortization	Outstanding June 30, 2012	Current portion
Revenue bonds:					
Series 2001A	$ 3,475,000	$ (3,475,000)	$ -	$ -	$ -
Series 2001B	3,580,000	(225,000)	-	3,355,000	240,000
Deferred credits	2,796,998	-	(175,625)	2,621,373	185,284
Total	$ 9,851,998	$ (3,700,000)	$ (175,625)	$ 5,976,373	$ 425,284

	Outstanding June 30, 2010	Net Cash Disbursements	Amortization	Outstanding June 30, 2011	Current portion
Revenue bonds:					
Series 2000	$ 8,195,000	$ (8,195,000)	$ -	$ -	$ -
Series 2001A	3,710,000	(235,000)	-	3,475,000	250,000
Series 2001B	3,795,000	(215,000)	-	3,580,000	225,000
Deferred credits	2,963,467	-	(166,469)	2,796,998	175,625
Total	$ 18,663,467	$ (8,645,000)	$ (166,469)	$ 9,851,998	$ 650,625

Note 7—Revenue bonds

Series 2000 Bonds — In September 2000, the Airport issued $11,970,000 in revenue bonds ("Series 2000 Bonds"). Proceeds of the issuance were used to construct a new cargo facility and related improvements. These bonds were paid off on August 13, 2010.

Series 2001 Bonds — In August 2001, the Airport issued $5,140,000 of tax-exempt revenue bonds ("Series 2001A Bonds") and $4,990,000 of taxable revenue bonds ("Series 2001B Bonds") (collectively, the "Series 2001 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 2001A Bonds and Series 2001B Bonds are composed of serial bonds which bear interest at rates between 3.1% and 5.0% annually and 4.4% and 6.2% annually, respectively. In addition, the Series 2001A Bonds include $775,000 of 5% term bonds due July 1, 2021, and the Series 2001B Bonds include $3,355,000 of 6.82% term bonds due July 1, 2021. 2001A Term Bonds were paid off in August 2011. $3,355,000 in principal on the 2011B Term Bonds matures on July 1, 2021.

Under the terms of the Series 2000 and 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, 2012 and 2011, the Airport was in compliance with these restrictive covenants.

The future debt service requirements of the Series 2001 Bonds are as follows as of June 30, 2012:

	Principal	Interest	Total
2013	$ 240,000	$ 228,811	$ 468,811
2014	260,000	212,443	472,443
2015	280,000	194,711	474,711
2016	295,000	175,615	470,615
2017	320,000	155,496	475,496
2018-2022	1,960,000	419,089	2,379,089
Total	$ 3,355,000	$ 1,386,165	$ 4,741,165

See Note 13 regarding repayment of the Series 2001A Bonds subsequent to June 30, 2011.

Note 8—Capital contributions

For the years ended June 30, 2012 and 2011, the Airport recognized capital contributions primarily from the FAA totaling $2,707,491 and $4,186,983, respectively, in its statements of revenues, expenses, and changes in net assets.

Note 9—Commitments and contingencies

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

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

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

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

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

The Airport had entered into commitments for construction contracts for $40,134,985, of which $34,328,513 is outstanding at June 30, 2012.

Note 10—Pension plan and post-retirement benefits

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

Plan members were required to contribute 6.5% (7.0% as of July 2012) of their annual covered salary to the Plan, and the Airport contributes 9.545% (including incidental death benefit, 10.6% as of July 2012), which is an actuarially determined rate. The Airport's Plan-matching contribution in fiscal years 2012, 2011 and 2010 was approximately $464,500, $462,700 and $400,100, respectively, and equaled the required contributions for those years.

Note 10—Pension plan and post-retirement benefits (continued)

As a result of the fiscal year 2010 change in personnel policy, the Airport now matches 100% of employee contributions to their 401K and/or 457 plans up to 5% of the employee's gross income.

The Airport's 401K-matching contribution in the fiscal years ending June 30, 2012 and 2011 was approximately $70,100 and $73,500, respectively.

Note 11—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 assets 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, 2012 and 2011. These funds are to be used by the Airport to either prepay their 2001 revenue bonds or to fund additional improvements to the rental car facilities at the Airport.

Note 12—Risk management

The Airport is exposed to various risks of loss related to torts, errors, omissions, destruction/damage of assets, natural disasters, and other events, for which the Airport carries the following policies:

Policies carried with individual insurance carriers and competitively bid out with an insurance brokerage firm:

- General liability, war risk, non-owned aircraft liability, and hangarkeepers
- Dishonesty coverage/commercial crime
- Public officials liability
- Directors & Officers (D&O) liability
- Workers Compensation
- Auto comprehensive/collision/liability
- Building and personal property
- Business interruption
- Data processing
- General tort liability
- 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 three years.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Commissioners of
Greenville-Spartanburg Airport District:

We have audited the financial statements of the Greenville-Spartanburg Airport District (the Airport) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the *Comptroller General of the United States*.

Internal Control Over Financial Reporting

Management of the Airport is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Airport's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Airport's Board of Commissioners, others within the entity, the U.S. Department of Transportation, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert + Holland, L.L.P.

Greenville, South Carolina
September 6, 2012

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect On Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Commissioners of
Greenville-Spartanburg Airport District:

Compliance

We have audited the 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, 2012. The Airport's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Our audit does not provide a legal determination of the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Airport's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB

Circular A-133, but not for 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.

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

This report is intended solely for the information and use of management, the Airport's Board of Commissioners, others within the entity, the U.S. Department of Transportation, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert + Holland, L.L.P.

Greenville, South Carolina
September 6, 2012

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Project Number and Description (Notes 1 and 2)	CFDA Number	Total Project Costs Incurred: July 1, 2011 to June 30, 2012	Total Project Costs Incurred: Cumulative to June 30, 2012	Grant Status - Grant Funds Received from FAA: July 1, 2011 to June 30, 2012	Grant Status - Grant Funds Received from FAA: Cumulative to June 30, 2012	Maximum Federal Participation
Department of Transportation - Airport Improvement Program:						
Grant No. 3-45-0028-46 Rehabilitate Terminal Building	20.106	$ 5,493,753	$ 5,493,753	$ 2,705,706	$ 2,705,706	$ 3,770,082
Transportation Security Administration	N/A	149,394	1,871,141	247,377	1,787,320	1,862,015
Total		$ 5,643,147	$ 7,364,894	$ 2,953,083	$ 4,493,026	$ 5,632,097

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, 2012

Note 1—Summary of significant accounting policies

Basis of Presentation — The accompanying schedules of expenditures of federal awards for the year ended June 30, 2012, for projects in effect from August 15, 2011 through June 30, 2012, 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 agreement:

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

The Airport and the Transportation Security Administration (TSA) are parties to a Law Enforcement Personnel 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 effective June 1, 2003 through September 30, 2003, but allowed for annual extension through September 30, 2008. The Airport received an additional assistance award of $699,820 for the period from October 1, 2007 through September 30, 2012. Under the provisions of the agreement, the TSA is to reimburse the Airport for 100% of the cost of law enforcement, not to exceed $1,862,015.

Note 2—Status of Projects

As of June 30, 2012, the following projects were open:

- Project #3-45-0028-46
- 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, 2012.

* * * * * *

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

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

Noncompliance material to federal awards: ______ yes __X__ no

Type of auditors' report issued on compliance for major programs: Unqualified

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

Identification of major programs:

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

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

YEAR ENDED JUNE 30, 2012

Section IV. Summary of Prior Year Findings

There were no prior year findings.