



**GREENVILLE-SPARTANBURG AIRPORT
DISTRICT**

FINANCIAL STATEMENTS AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

As of and for the Years Ended June 30, 2017 and 2016

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 statements of net position of the Greenville-Spartanburg Airport District (the "Airport"), a political subdivision of the State of South Carolina, as of June 30, 2017 and 2016, 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, 2017 and 2016, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and the required supplementary information schedules on pages 35 and 36 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 an opinion on the Airport's basic financial statements. The Schedule of Expenditures of Federal Awards ("SEFA"), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (the "Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The SEFA 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. Such 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 SEFA 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 9, 2017 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 9, 2017

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (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, 2017 and 2016, 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, 2017 AND 2016 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2017 AND 2016

	June 30		Change	%
	2017	2016		
Assets:				
Cash and investments	\$ 18,152,402	\$ 19,669,642	\$ (1,517,240)	(7.71)
Bond funds	406,836	397,748	9,088	2.28
Receivables	5,206,295	5,914,095	(707,800)	(11.97)
Capital assets – net	237,687,569	216,597,316	21,090,253	9.74
Other	478,742	1,056,375	(577,633)	(54.68)
Total assets	\$ 261,931,844	\$ 243,635,176	\$ 18,296,668	7.51
Deferred Outflow of Pension Resources	\$ 2,329,682	\$ 972,467	\$ 1,357,215	139.56
Liabilities:				
Current liabilities	\$ 6,872,367	\$ 3,818,709	\$ 3,053,658	79.97
Long-term liabilities	16,060,544	14,820,829	1,239,715	8.36
Total liabilities	\$ 22,932,911	\$ 18,639,538	\$ 4,293,373	23.03
Deferred Inflow of Pension	\$ 23,293	\$ 32,267	\$ (8,974)	(27.81)
Net position:				
Net investment in capital assets	\$ 235,485,410	\$ 212,500,496	\$ 22,984,914	10.81
Restricted	2,717,243	2,431,483	285,760	11.75
Unrestricted	3,102,669	11,003,859	(7,901,190)	(71.80)
Total net position	\$ 241,305,322	\$ 225,935,838	\$ 15,369,484	6.80

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 \$241,305,322, of which \$3,102,669 is unrestricted.

- Total assets at June 30, 2017 were \$261,931,844, which included \$11,495,782 in cash and receivables, \$9,995,526 in investments, \$406,836 in investments held by US Bank (GSP's Revenue Bond Trustee), and \$237,687,569 in capital assets. Total liabilities were \$22,932,911, \$12,214,294 of which related to the unfunded portion of the South Carolina Retirement pension and \$1,960,000 of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the \$261,931,844 in assets plus the \$2,329,682 in deferred outflows of resources and the \$22,932,911 in liabilities plus the \$23,293 in deferred inflows of resources is categorized as Net Position (\$241,305,322). Net Position is composed of \$235,485,410 of net investment in capital assets, \$2,717,243 in restricted assets for capital projects, and \$3,102,669 in unrestricted assets.

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

JUNE 30, 2017 AND 2016 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2016 AND 2015

	June 30		Change	%
	2016	2015		
Assets:				
Cash and investments	\$ 19,669,642	\$ 46,480,755	\$ (26,811,113)	(57.68)
Bond funds	397,748	382,807	14,941	3.90
Receivables	5,914,095	2,897,964	3,016,131	104.08
Capital assets – net	216,597,316	188,744,416	27,852,900	14.76
Other	1,056,375	438,329	618,046	141.00
Total assets	\$ 243,635,176	\$ 238,944,271	\$ 4,690,905	1.96
Deferred Outflow of Pension Resources	\$ 972,467	\$ 887,006	\$ 85,461	9.63
Liabilities:				
Current liabilities	\$ 3,818,709	\$ 5,451,919	\$ (1,633,210)	(29.96)
Long-term liabilities	14,820,829	14,211,384	609,445	4.29
Total liabilities	\$ 18,639,538	\$ 19,663,303	\$ (1,023,765)	(5.21)
Deferred Inflow of Pension	\$ 32,267	\$ 853,882	\$ (821,615)	(96.22)
Net position:				
Net investment in capital assets	\$212,500,496	\$185,951,847	\$ 26,548,649	14.28
Restricted	2,431,483	2,395,378	36,105	1.51
Unrestricted	11,003,859	30,966,867	(19,963,008)	(64.46)
Total net position	\$ 225,935,838	\$ 219,314,092	\$ 6,621,746	3.02

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 \$225,935,838, of which \$9,416,574 is unrestricted.

- Total assets at June 30, 2016 were \$243,635,176, which included \$6,656,421 in cash and receivables, \$16,864,384 in investments, \$397,748 in investments held by US Bank (GSP's Revenue Bond Trustee), and \$216,597,316 in capital assets. Total liabilities were \$18,639,538, \$10,446,431 of which related to the unfunded portion of the South Carolina Retirement pension and \$2,280,000 of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the \$243,635,176 in assets plus the \$972,467 in deferred outflows of resources and the \$18,639,538 in liabilities plus the \$32,267 in deferred inflows of resources is categorized as Net Position (\$225,935,838). Net Position is composed of \$212,500,496 of net investment in capital assets, \$2,431,483 in restricted assets for capital projects, and \$11,003,859 in unrestricted assets.

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

JUNE 30, 2017 AND 2016 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, JUNE 30, 2017 AND 2016

	June 30		Change	%
	2017	2016		
Operating revenues:				
Landing and other airside fees	\$ 3,222,021	\$ 2,956,934	\$ 265,087	8.96
Space and ground rental fees	8,811,883	8,709,634	102,249	1.17
Concessions revenue	16,314,117	14,178,162	2,135,955	17.87
Expense reimbursements	1,268,283	1,272,775	(4,492)	(0.35)
Other revenue	1,922,952	1,247,052	675,900	54.20
Gross profit on fuel sales	1,906,452	-	1,906,452	100.00
Total operating revenues	33,445,708	28,364,557	5,479,474	17.91
Operating expenses:				
Direct operating expenses	19,038,116	14,842,149	4,195,967	28.27
Loss on disposal of assets	3,581	195,388	(191,807)	(98.17)
Pension	1,177,925	833,525	344,400	41.32
Depreciation	10,846,378	10,129,258	717,120	7.08
Total operating expenses	31,066,000	26,000,320	5,215,273	20.06
Operating income	2,379,708	2,364,237	(134,123)	(5.67)
Non-operating income	1,053,597	916,288	137,309	14.99
Income before capital contributions	3,433,305	3,280,525	152,780	4.66
Capital contributions	11,936,179	3,341,221	8,594,958	257.24
Change in net position	\$ 15,369,484	\$ 6,621,746	\$ 8,747,738	132.11

- Total operating revenues were \$33,445,708 for the fiscal year ended June 30, 2017, up 17.91% from \$28,364,557 as compared to the prior year. This increase was the result of sales from the FBO operations brought in-house during the fiscal year and higher auto parking revenues due to an increase in traffic and rates.
- Total direct operating expenses were \$19,038,116 for the fiscal year ended June 30, 2017, up 28.27% from \$14,842,149 as compared to the prior year. This increase was largely due to the addition of FBO and Warehouse employees and an increase in general marketing activities.
- Pension expense was \$1,177,925 for the fiscal year ended June 30, 2017, up 41.32% from \$833,525 as compared to the prior year. This is due to an increase annually in Pension Plan's expenses pushed down to each entity by the state.
- Total non-operating income was \$1,053,597 for the fiscal year ended June 30, 2017, up 14.99% from \$916,288 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 \$10,846,378 for the fiscal year ended June 30, 2017, as compared to \$10,129,258 in the fiscal year ended June 30, 2016.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (UNAUDITED)

- The debt service coverage ratio was 2,358%, 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, only partially offset by an increase in direct operating expense and depreciation expense, as discussed above, resulted in GSP's net income before capital contributions of \$3,433,305 and \$3,280,525 for fiscal year ended June 30, 2017 and fiscal year ended June 30, 2016, respectively.

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

JUNE 30, 2017 AND 2016 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, JUNE 30, 2016 AND 2015

	June 30		Change	%
	2016	2015		
Operating revenues:				
Landing and other airside fees	\$ 2,956,934	\$ 2,918,915	\$ 38,019	1.30
Space and ground rental fees	8,709,634	8,053,184	656,450	8.15
Concessions revenue	14,178,162	13,342,259	835,903	6.27
Expense reimbursements	1,272,775	1,112,448	160,327	14.41
Other revenue	1,247,052	1,257,319	(10,267)	(0.82)
Total operating revenues	28,364,557	26,684,125	1,680,432	6.30
Operating expenses:				
Direct operating expenses	14,842,149	13,936,503	905,676	6.50
Loss on disposal of assets	195,388	490,095	(294,707)	(60.13)
Pension	833,525	689,240	144,285	20.93
Depreciation	10,129,258	9,725,558	403,700	4.15
Total operating expenses	26,000,320	24,841,396	1,158,924	4.67
Operating income	2,364,237	1,842,729	521,508	28.30
Non-operating income	916,288	711,738	204,550	28.74
Income before capital contributions	3,280,525	2,554,467	726,058	28.42
Capital contributions	3,341,221	6,523,985	(3,182,764)	(48.79)
Change in net position before cumulative change	6,621,746	9,078,452	(2,456,706)	(27.06)
Cumulative effect of the change in accounting principle	-	(9,215,747)	9,215,747	(100.00)
Change in net position	\$ 6,621,746	\$ (137,295)	\$ 6,759,041	4,923.01

- Total operating revenues were \$28,364,557 for the fiscal year ended June 30, 2016, up 6.3% from \$26,684,125 as compared to the prior year. This increase was the result of higher auto parking revenues due to an increase in traffic and higher airline space rental revenues due to a higher rate charged to recoup budgeted terminal expenses.
- Total direct operating expenses were \$15,675,674 for the fiscal year ended June 30, 2016, up 7.18% from \$14,625,743 as compared to the prior year. This increase was largely due to an increase in employee benefits, professional services and promotional activities.
- Pension expense was \$833,525 for the fiscal year ended June 30, 2016, up 20.93% from \$689,240 as compared to the prior year. This is due to an increase annually in Pension Plan's expenses pushed down to each entity by the state.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (UNAUDITED)

- The loss on disposal of assets was \$195,388 for the fiscal year ended June 30, 2016, down 60.13% from \$490,095 as compared to the prior year. The current fiscal year consisted of the fuel farm disposal while the prior fiscal year included disposal of larger apron assets.
- Total non-operating income was \$916,288 for the fiscal year ended June 30, 2016, up 28.74% from \$711,738 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 \$10,129,258 for the fiscal year ended June 30, 2016, as compared to \$9,725,558 in the fiscal year ended June 30, 2015.
- The debt service coverage ratio was 3,201%, 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, only partially offset by an increase in direct operating expense and depreciation expense, as discussed above, resulted in GSP's net income before capital contribution of \$3,280,525 and \$2,554,467 for fiscal year ended June 30, 2016 and fiscal year ended June 30, 2015, respectively.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (UNAUDITED)

Description of Significant Capital and Long-term Debt Expenditures

The Airport District finished a major six (6) year terminal renovation with a project budget of approximately \$128 million in the 2nd quarter of fiscal year 2017. 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, valued at \$56 million was capitalized in the fiscal year ended June 30, 2017.

The Airport District has incurred no additional long-term debt expenditures in either the fiscal year ended June 30, 2017 or 2016. The only expenditures related to long-term debt are those of normal debt service.

Description of Significant Short-term Debt Expenditures

On May 9, 2016 the District's Commission approved the opening of a \$25 million revolving Line of Credit ("LOC") with TD Bank for special project use. The first, and only, drawdown on this LOC was made on September 23, 2016 for \$2,164,358. Debt service is interest-only. Interest is variable at 1 month LIBOR plus 75 basis points. At June 30, 2017 the 1 month LIBOR was pegged at 1.22%. Adding 0.75% gives us an interest rate of 1.97% at June 30, 2017. The term of the LOC is 1 year, and is automatically renewed for additional 1 year term.

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, 2017 or June 30, 2016.

All foreseeable normal operational capital projects within a ten-year horizon are projected to be funded internally with Airport District reserve funds and/or with FAA grant funds. For new "special projects" outside the normal operational scope, management has the option to utilize the aforementioned LOC for funding purposes. As special projects are completed, they can be "termed out" (removed from the LOC and replaced with a fixed permanent loan), at management's discretion.

Looking Ahead ...

Aviation Industry Overview

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

- Oil Prices
- 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
- Volatility of fuel prices
- Debt restructuring
- Volcanic activity
- Merger, acquisitions, bankruptcies of airlines
- Changing regional, national, and international trends
- Federal funding mandates, restrictions, and uncertainties
- Pilot shortages

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (UNAUDITED)

- Emerging issues in the aviation industry, such as unmanned aerial vehicles (UAVs) or the emergence of sharing economy platforms such as Uber and Lyft
- And, others ...

Any one of these can impact airline traffic dramatically, as experience has proven time and again. 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. Domestic airlines have reaped record-setting profits throughout fiscal years 2016 and 2017 as the price of oil has dropped and as a result of the aforementioned factors. This represents a stunning turnaround after a decade of losses, cutbacks, reorganizations and bankruptcies.

Overall, it appears that many aviation industry prognosticators continue to 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 continue to shrink, albeit slowly. This combination will cause planes to get more crowded, and is likely to remain that way.
- Over the next two decades, U.S. airline travel is expected to nearly double.
- Airlines are recording historically high profitability levels ... these levels of higher profitability are expected to continue for the foreseeable future.

The most recent Federal Aviation Administration ("FAA's") Aerospace Forecast currently published (2017-2037) 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. Since the recession, U.S. airlines have 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 three major mergers in five years. These changes along with capacity discipline exhibited by carriers have resulted in a seventh consecutive year of profitability for the industry in 2016. Looking ahead there is confidence that the industry has been transformed from that of a boom-to-bust cycle to one of sustainable profits.

Fundamentally, over the medium and long term, demand for aviation is driven by economic activity, and a growing U.S. and world economy provides the basis for aviation to grow over the long run. The 2017 FAA forecast calls for U.S. carrier passenger growth over the next 20 years to average 1.9 percent per year, slightly slower than last year's forecast. The sharp decline in the price of oil in 2015-16 was a catalyst for an uptick in passenger growth in 2016 that will continue into 2017. The price of oil is projected to rise from around \$39 per barrel in 2016 to \$47 in 2017, and our forecast assumes that it will rise thereafter to exceed \$100 by 2026 and approach \$132 by the end of the forecast period. There are a number of headwinds that are buffeting the global economy – uncertainty surrounding "Brexit", recession in Russia and Brazil and inconsistent performance in other emerging economies, a "hard landing" in China, and lack of further stimulus in the advanced economies. Although the U.S. economy has managed to avoid a recession, there is uncertainty regarding the impact of the new U.S. administration's policies on economic growth.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (UNAUDITED)

System traffic in revenue passenger miles (RPMs) is projected to increase by 2.4 percent a year between 2017 and 2037. Domestic RPMs are forecast to grow 2.0 percent a year while International RPMs are forecast to grow significantly faster at 3.4 percent a year. U.S. carrier system measures capacity in available seat miles (ASMs) and is forecasted to grow in line with the increases in demand. The number of seats per aircraft is getting bigger, especially in the regional jet market, where we expect the number of 50 seat regional jets to fall to just a handful by 2023, replaced by 70-90 seat aircraft.

Although the U.S. and global economy continued to post disappointing growth in 2016, a combination of robust demand and continued low energy prices resulted in record profits for U.S. airlines. U.S. carrier profitability may fall in the near term as rising energy prices and higher labor costs offset higher revenues fed by solid demand. 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. and global economy.

The long-term outlook for general aviation is stable to optimistic, as growth at the high-end offsets continuing retirements at the traditional low end of the segment. The active general aviation fleet is forecasted to increase 0.1 percent a year between 2016 and 2037, resulting in an increase in the fleet of about 3,400 units. While steady growth in both GDP and corporate profits results in continued growth of the turbine and rotorcraft fleets, the largest segment of the fleet – fixed wing piston aircraft continues to shrink over the forecast. Although fleet growth is minimal, the number of general aviation hours flown is projected to increase an average of 0.9 percent per year through 2037, as growth in turbine, rotorcraft, and experimental hours more than offset a decline in fixed wing piston hours.

With increasing numbers of regional and business jets in the nation's skies, fleet mix changes, and carriers consolidating operations in their large hubs, we expect increased activity growth which has the potential to increase controller workload. Operations at FAA and contract towers are forecast to increase 0.8 percent a year over the forecast period with commercial activity growing at five times the rate of noncommercial activity. The growth in U.S. airline and business aviation activity is the primary driver. Large and medium hubs will see much faster increases than small and non-hub airports, largely due to the commercial nature of their operations."

Source: FAA Forecast Highlights 2017-2037

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (UNAUDITED)

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 1, 2016:

Global Credit Research - 1 Dec 2016

Continued growth in the US economy, combined with more seat capacity on US airlines, will push enplanement growth to 2.5% in 2017, slightly below our expectation for 2016 and at our threshold for a positive outlook. Enplanement growth, or the number of seats sold on a flight, is a key indicator for our outlook because it generally translates into higher parking and airport-terminal concession revenue. Our outlook has been positive since December 2014.

- **US economic growth will support demand for US travel.** The US economy will expand about 2.2% in 2017, according to Moody's Investors Service, supporting increased air travel. Enplanement growth has historically demonstrated a high positive correlation of 0.91 with the average of GDP and seat growth.
- **Airlines will add more seats in 2017, although at a slower pace.** We expect that seat capacity will rise between 2.0% and 3.5% overall in 2017, down from 4.0%-5.0% in 2016.
- **Stronger-than-expected financial performance will provide a cushion against downside risks in 2017.** In the annual rates and charges that US airports set for airlines, most airports incorporate an expectation of 2% enplanement growth. We think that enplanement growth will surpass this level for most airports this year and next, resulting in higher revenue than airports expect.
- **Small airports will continue to lag behind in terms of enplanement growth as airlines constrain capacity growth.** Small airports are more likely to be served by the large legacy airlines through regional jets, which are likely to continue to be pressured by a pilot shortage.

Source: Moody's Investor Service outlook on US Airport Industry "2017 Outlook – Strong enplanement growth supports US airport industry outlook"... December 1, 2016

Greenville-Spartanburg International Airport ("GSP") Outlook

Although profitability levels have been and continue to be very strong, 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.

Management agrees with the FAA forecasts and continues to plan for long-term growth in accordance with local initiatives/demands, and various planning forecasts. A major Airport Master Plan update is currently underway to replace our approved 2003 Airport Master Plan. The Master Plan update will address, among other things, the following variables which will impact the Airport's future:

- The financial and operational impact of the newly established air cargo route to Germany via Senator, and associated airfield changes (e.g., Taxiway L extension) to support cargo growth
- Projected availability of continued federal funding
- Our assumption of FBO and fueling responsibilities

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (UNAUDITED)

- A thorough airport pavement evaluation
- Sustainability issues
- An analysis of GSP360 for land use compatibility, highest and best use, and linkage to GSP International Industrial Logistics Park
- Future development of aeronautical and non-aeronautical land owned by the District in concert with our GSP360 plan
- The proposed PRT system and associated impacts on parking, roadway circulation, curbside and other
- Expansion of rental car parking capacities
- Staged parking lot expansions for customers
- Potential capacity constraints for ground transportation along the terminal curb-front and options to reduce congestion along public roadways
- Long term development planning for future needs of key airport tenants
- Optimal location for new Air Traffic Control tower
- Updated airport layout plan ("ALP") to meet FAA SOPs
- Updated GIS database to meet FAA requirements to include infrastructure capacities, environmental information, and areas for future development

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. 2017 witnessed many service-focused improvements and new business opportunities at the Airport including, but not limited to:

- Opening of our new terminal renovation
- Opening of new food and beverage options including Wolfgang Puck, Chick-fil-A, DC-3 Dogs, Dunkin' Donuts (Airside), and Baskin Robbins.
- Opening of our new FBO service, Cerulean Aviation
- New international cargo service from GSP to Munich and Frankfurt, Germany

Management's assessment of our long-term forecast continues to be favorable largely due to our lack of significant debt, competitive airline rates and charges, aggressive air service development efforts, regional economic trends, healthy catchment area/size, and many other factors.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash	\$ 6,291,399	\$ 2,805,258
Receivables	3,338,906	3,851,163
Inventories and prepaid insurance	478,742	1,056,375
Investments	9,995,526	16,864,384
Notes receivable - current portion	<u>242,159</u>	<u>229,535</u>
Total current assets	<u>20,346,732</u>	<u>24,806,715</u>
Restricted assets:		
Cash	1,865,477	-
Receivables	280,104	246,112
Investments - held by Trustee	<u>406,836</u>	<u>397,748</u>
Total restricted assets	<u>2,552,417</u>	<u>643,860</u>
Notes receivable - net of current portion	<u>1,345,126</u>	<u>1,587,285</u>
Capital assets - at cost:		
Land	41,074,047	41,074,047
Buildings and equipment	248,438,354	187,341,404
Runways	71,811,075	65,205,550
Construction-in-progress	<u>12,172,706</u>	<u>48,909,735</u>
Total capital assets	373,496,182	342,530,736
Less accumulated depreciation	<u>(135,808,613)</u>	<u>(125,933,420)</u>
Capital assets - net	<u>237,687,569</u>	<u>216,597,316</u>
Total Assets	<u>\$ 261,931,844</u>	<u>\$ 243,635,176</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to State Pension	<u>\$ 2,329,682</u>	<u>\$ 972,467</u>

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

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 4,059,017	\$ 3,191,429
LOC draw-down	2,164,358	-
Unearned credits - current portion	<u>242,159</u>	<u>229,535</u>
Total payable from unrestricted assets	<u>6,465,534</u>	<u>3,420,964</u>
Payable from restricted assets:		
Accrued interest payable	66,833	77,745
Revenue bonds - current portion	<u>340,000</u>	<u>320,000</u>
Total payable from restricted assets	<u>406,833</u>	<u>397,745</u>
Total current liabilities	<u>6,872,367</u>	<u>3,818,709</u>
Unearned credits - net of current portion	1,345,126	1,587,285
Long-term employee benefits	881,124	827,113
SCRS Pension liability	12,214,294	10,446,431
Revenue bonds payable - net of current portion	<u>1,620,000</u>	<u>1,960,000</u>
Total Liabilities	<u>\$ 22,932,911</u>	<u>\$ 18,639,538</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to State Pension	<u>\$ 23,293</u>	<u>\$ 32,267</u>
NET POSITION		
Net investment in capital assets	\$ 231,975,926	\$ 212,500,496
Restricted:		
Held by Trustee	340,003	320,003
Contract facility charges	<u>2,145,581</u>	<u>2,111,480</u>
Total restricted	<u>2,485,584</u>	<u>2,431,483</u>
Unrestricted	<u>6,843,812</u>	<u>11,003,859</u>
Total Net Position	<u>\$ 241,305,322</u>	<u>\$ 225,935,838</u>

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

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Airside	\$ 3,222,021	\$ 2,956,934
Space and ground rental	8,811,883	8,709,634
Concessions	16,314,117	14,178,162
Other	<u>3,191,235</u>	<u>2,519,827</u>
Total operating revenues	<u>31,539,256</u>	<u>28,364,557</u>
Gross profit on fuel sales:		
Fuel sales	2,317,579	-
Cost of goods sold	<u>(411,127)</u>	<u>-</u>
Total operating revenues	<u>1,906,452</u>	<u>-</u>
Operating expenses before loss on disposal of assets and depreciation:		
Airfield	260,000	293,485
Terminal building	2,370,823	2,305,357
Administrative	6,646,015	5,034,654
Maintenance and operations	3,328,118	3,080,767
Fire and crash department	1,155,122	1,044,790
Security	1,216,434	1,125,601
Other direct expenses	<u>4,061,604</u>	<u>1,957,495</u>
Total operating expenses before loss on disposal of assets and depreciation	<u>19,038,116</u>	<u>14,842,149</u>
Operating income before loss on disposal of assets and depreciation	14,407,592	13,522,408
Net loss on disposal of assets	3,581	195,388
Pension	1,177,925	833,525
Depreciation	<u>10,846,378</u>	<u>10,129,258</u>
Operating income	<u>2,379,708</u>	<u>2,364,237</u>
Nonoperating revenues (expenses):		
Contract facility charges	1,154,380	1,026,795
Interest on accounts	52,915	43,134
Change in fair value of investments	2,428	1,855
Interest and other financing costs - net	<u>(156,126)</u>	<u>(155,496)</u>
Nonoperating revenues - net	<u>1,053,597</u>	<u>916,288</u>
Income before capital contributions	3,433,305	3,280,525
Capital contributions	<u>11,936,179</u>	<u>3,341,221</u>
Increase in net position	15,369,484	6,621,746
Net position:		
Beginning of year	<u>225,935,838</u>	<u>219,314,092</u>
End of year	<u>\$ 241,305,322</u>	<u>\$ 225,935,838</u>

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from providing services	\$ 34,369,093	\$ 25,137,709
Cash payments to suppliers for goods and services	(9,065,604)	(10,093,965)
Cash payments to employees for services	<u>(9,660,659)</u>	<u>(7,607,968)</u>
Net cash provided by operating activities	<u>15,642,830</u>	<u>7,435,776</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(31,940,212)	(38,177,546)
Net proceeds from sale of investments - held by Trustee	(9,088)	(14,941)
Principal payments on bonds	(320,000)	(295,000)
Interest payment on bonds	(167,038)	(165,556)
Capital contributions	11,936,179	3,341,221
Contract facility charges	1,120,388	1,019,944
Line of credit	<u>2,164,358</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(17,215,413)</u>	<u>(34,291,878)</u>
Cash flows from investing activities:		
Net purchase and maturity of investment securities	6,871,286	19,399,365
Investment income	<u>52,915</u>	<u>43,134</u>
Net cash provided by investing activities	<u>6,924,201</u>	<u>19,442,499</u>
Net increase (decrease) in cash	5,351,618	(7,413,603)
Cash, beginning of year	<u>2,805,258</u>	<u>10,218,861</u>
Cash, end of year	<u>\$ 8,156,876</u>	<u>\$ 2,805,258</u>
Reconciliation to balance sheet		
Unrestricted cash	\$ 6,291,399	\$ 2,805,258
Restricted cash	<u>1,865,477</u>	<u>-</u>
Cash, end of year	<u>\$ 8,156,876</u>	<u>2,805,258</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,379,708	\$ 2,364,237
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,846,378	10,129,258
Net loss on disposal of capital assets	3,581	195,388
Change in assets and liabilities:		
Trade and other receivables	512,257	(3,226,848)
Inventories and prepaid insurance	577,633	(618,046)
Deferred outflows related to state pension	(1,357,215)	(85,461)
Trade accounts payable and accrued liabilities	867,588	(1,660,117)
Other long-term liabilities	1,821,874	1,158,980
Deferred pension investment earnings	(8,974)	(821,615)
Total adjustments	<u>13,263,122</u>	<u>5,071,539</u>
Net cash provided by operating activities	<u>\$ 15,642,830</u>	<u>\$ 7,435,776</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 value. The cash equivalents as of June 30, 2017 and 2016 were \$9,995,526 and \$16,864,384, respectively, and are included in the balance of investments in the statements of net position.

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 at June 30, 2017 and 2016, 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 set for four weeks, in order to have funds available when needed for the terminal improvement project. At maturity, the Treasury bills are either reinvested or included in current assets until used for construction in progress.

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.

Reclassifications – Certain items in the prior year financial statements were reclassified to conform to the current year presentation. Pension expense has been moved from operating expenses and shown separately on the State of Revenues, Expenses, and Changes in Net Position. This reclassification does not change operating income. The net investment in capital assets, restricted and unrestricted net position have been regrouped to conform to current year presentation. These reclassifications have no impact on either operating or net income or total net position.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 2017 and 2016 are as follows:

	Capital Assets Acquired by FAA Grants	Other Capital Assets	Total Capital Assets
Accumulated depreciation - June 30, 2015	\$ 65,910,014	\$ 50,160,504	\$ 116,070,518
Fiscal year 2016 depreciation	4,820,799	5,308,459	10,129,258
Less - 2016 capital asset write-offs	<u>(253,038)</u>	<u>(13,318)</u>	<u>(266,356)</u>
Accumulated depreciation - June 30, 2016	70,477,775	55,455,645	125,933,420
Fiscal year 2017 depreciation	4,741,042	6,105,336	10,846,378
Less - 2017 capital asset write-offs	<u>(263,039)</u>	<u>(708,146)</u>	<u>(971,185)</u>
Accumulated depreciation - June 30, 2017	<u>\$ 74,955,778</u>	<u>\$ 60,852,835</u>	<u>\$ 135,808,613</u>

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, 2017 and 2016. 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, 2017 and 2016, as notes receivable and unearned credits totaling \$1,587,285 and \$1,816,820, respectively, in the accompanying statements of net position.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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

For the years ended June 30, 2017 and 2016, the Airport has recorded CFCs related to space and ground rental as operating revenue of \$1,368,650 and \$1,367,162, respectively, in addition to non-operating revenue consisting of the following:

	<u>2017</u>	<u>2016</u>
Funding of Series 2001 Bonds	\$ 464,584	\$ 460,556
Reimbursement of Airport-funded construction	329,460	329,460
CFC surplus receipts/(deficit)	<u>360,336</u>	<u>236,779</u>
	<u>\$ 1,154,380</u>	<u>\$ 1,026,795</u>

Additionally, as of June 30, 2017 and 2016, the Airport had received but not yet spent CFCs totaling \$1,865,477 and \$1,865,368, respectively, which are reported as restricted in the accompanying statements of net position until expended. The assets are included in cash at June 30, 2017 and investments at June 30, 2016.

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.

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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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

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, 2016 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.

New Pronouncements – The GASB has issued the following statement, which has been implemented by the Airport for the year ended June 30, 2017:

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016, addresses certain issues that have been raised with respect to the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Among other items, this Statement defines covered payroll, as reported in the required supplementary information, as the payroll on which contributions to a pension plan are based. This Statement does not have a material impact on the Agency's financial statements.

The GASB has issued several statements which have not yet been implemented by the Airport. The statement which may have a future impact on the Airport is as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the other postemployment benefits ("OPEB") that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Airport is currently assessing the impact this statement will have on the Airport's financial statements.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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.

At June 30, 2017 and 2016, the carrying amount for Airport's cash totaled \$9,510,304 and \$6,417,367, 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, 2017 and 2016, no allowance for uncollectible amounts was recorded.

Receivables (including restricted assets) consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Trade and contract facility charge	\$ 1,015,911	\$ 745,826
FAA and other grants	2,048,800	3,348,318
Interest and other	554,299	3,131
	<u>\$ 3,619,010</u>	<u>\$ 4,097,275</u>

Note 5—Investments

At June 30, 2017 and 2016, the Airport's investment balances, recorded at fair value, were \$9,995,526 and \$16,864,384, respectively. At June 30, 2017 and 2016, the entire amount was invested in U.S. Treasury bills.

All investments held at June 30, 2017 and 2016 have maturities of less than one year and have an AAA rating. In addition, investments with fair values of \$406,836 and \$397,748 as of June 30, 2017 and 2016, respectively, were held by a trustee.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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.

Fair Value – Investments are reported at fair value and categorized within the fair value hierarchy established under accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Gains or losses that result from market fluctuation are reported in the current period. As of June 30, 2017 and 2016, the Airport's Treasury bills are valued using significant other observable inputs (Level 2 inputs).

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 6—Capital assets

A summary of changes in capital assets during fiscal 2017 and 2016 is as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 41,074,047	\$ -	\$ -	\$ 41,074,047
Construction-in-process	48,909,735	32,012,775	(68,749,804)	12,172,706
Total capital assets not being depreciated	<u>89,983,782</u>	<u>32,012,775</u>	<u>(68,749,804)</u>	<u>53,246,753</u>
Capital assets being depreciated:				
Buildings and equipment	187,341,404	62,073,216	(976,266)	248,438,354
Runways	65,205,550	6,605,525	-	71,811,075
Total capital assets being depreciated	<u>252,546,954</u>	<u>68,678,741</u>	<u>(976,266)</u>	<u>320,249,429</u>
Total accumulated depreciation	<u>(125,933,420)</u>	<u>(10,846,378)</u>	<u>971,185</u>	<u>(135,808,613)</u>
Net capital assets	<u>\$ 216,597,316</u>	<u>\$ 89,845,138</u>	<u>\$ (68,754,885)</u>	<u>\$ 237,687,569</u>

A summary of changes in capital assets during fiscal 2016 and 2015 is as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 41,074,047	\$ -	\$ -	\$ 41,074,047
Construction-in-process	20,890,224	37,946,244	(9,926,733)	48,909,735
Total capital assets not being depreciated	<u>61,964,271</u>	<u>37,946,244</u>	<u>(9,926,733)</u>	<u>89,983,782</u>
Capital assets being depreciated:				
Buildings and equipment	182,061,017	231,303	5,049,084	187,341,404
Runways	60,789,646	-	4,415,904	65,205,550
Total capital assets being depreciated	<u>242,850,663</u>	<u>231,303</u>	<u>9,464,988</u>	<u>252,546,954</u>
Total accumulated depreciation	<u>(116,070,518)</u>	<u>(10,129,258)</u>	<u>266,356</u>	<u>(125,933,420)</u>
Net capital assets	<u>\$ 188,744,416</u>	<u>\$ 28,048,289</u>	<u>\$ (195,389)</u>	<u>\$ 216,597,316</u>

Interest costs charged to expense for the years ended June 30, 2017 and 2016 totaled \$156,126 and \$155,496, respectively.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 7—Revenue bonds

A summary of the revenue bond changes during fiscal 2017 and 2016 is as follows:

	<u>Outstanding June 30, 2016</u>	<u>Net Cash Disbursement</u>	<u>Outstanding June 30, 2017</u>	<u>Current Portion</u>
Revenue bonds:				
Series 2001B	\$ 2,280,000	\$ (320,000)	\$ 1,960,000	\$ 340,000
Total	<u>\$ 2,280,000</u>	<u>\$ (320,000)</u>	<u>\$ 1,960,000</u>	<u>\$ 340,000</u>
	<u>Outstanding June 30, 2015</u>	<u>Net Cash Disbursement</u>	<u>Outstanding June 30, 2016</u>	<u>Current Portion</u>
Revenue bonds:				
Series 2001B	\$ 2,575,000	\$ (295,000)	\$ 2,280,000	\$ 320,000
Total	<u>\$ 2,575,000</u>	<u>\$ (295,000)</u>	<u>\$ 2,280,000</u>	<u>\$ 320,000</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.

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, 2017 and 2016, 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, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 340,000	\$ 133,672	\$ 473,672
2019	365,000	110,484	475,484
2020	390,000	85,591	475,591
2021	420,000	58,993	478,993
2022	445,000	30,349	475,349
Total	<u>\$ 1,960,000</u>	<u>\$ 419,089</u>	<u>\$ 2,379,089</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 8—Line of credit

In September 2016, the Airport entered into a \$25,000,000 line of credit agreement with a maturity date of September 7, 2017. The line of credit bears an interest rate of 1-month LIBO rate plus .75%. At June 30, 2017, the applicable interest rate was 1.58%. For the year ended June 30, 2017, there was \$2,164,358 in borrowings outstanding against this line of credit. The Airport subsequently renewed its line of credit on August 3, 2017, under the same terms, with a maturity date of September 8, 2019.

Note 9—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 note 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 the note receivable and unearned revenue for the fiscal years ended June 30, 2017 and 2016, was \$229,535 and \$217,568, respectively, with a remaining balance of \$1,587,285 and \$1,816,820, respectively.

Note 10—Capital contributions

For the years ended June 30, 2017 and 2016, the Airport recognized capital contributions primarily from the FAA totaling \$11,936,179 and \$3,341,221, respectively, in its statements of revenues, expenses, and changes in net position.

Note 11—Operating leases (lessor)

The Airport leases space to tenants via non-cancelable operating leases with terms of 5 to 30 years. The following is a schedule by year of future minimum rentals under these lease agreements as of June 30, 2017:

2018	\$ 388,482
2019	238,729
2020	167,653
2021	136,349
2022	99,132
Thereafter	<u>2,230,467</u>
	<u>\$ 3,260,812</u>

The value of the leased property is as follows:

Buildings	\$ 1,467,700
Less: accumulated depreciation	<u>(183,463)</u>
	<u>\$ 1,284,237</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 12—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.

Note 13—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 8.66% and 9.24% of their annual covered salary to the Plan for SCRS and PORS, respectively, and the Airport contributes 11.56% and 14.04% for SCRS and PORS, respectively, which is an actuarially determined rate. The Airport's Plan-matching contribution in fiscal years 2017, 2016 and 2015 was approximately \$1,177,925, \$833,525 and \$689,240, respectively, and equaled the required contributions for those years.

Greenville-Spartanburg Airport District reported a liability of \$12,214,294 and \$10,446,431 for its proportionate share of the net pension liability of SCRS and PORS as of June 30, 2017 and June 30, 2016, respectively. The net pension liability was measured as of June 30, 2016 and June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2016, the Airport's proportion was 0.043232% and 0.11749% of the total SCRS and PORS pension liability, respectively. At June 30, 2015, the Airport's proportion was 0.042039% and 0.11349% of the total SCRS and PORS pension liability, respectively.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 13—Pension plan and post-retirement benefits (continued)

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:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on SCRS and PORS investments	\$ -	\$ 23,293	\$ -	\$ 32,267
Contributions subsequent to the measurement date	776,251	-	605,499	-
Difference in expected and actual experience in measurement of pension liability	1,553,431	-	366,968	-
	<u>\$ 2,329,682</u>	<u>\$ 23,293</u>	<u>\$ 972,467</u>	<u>\$ 32,267</u>

The Airport's contributions of \$776,251 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Total pension expense for the period years ended June 30, 2016 and June 30, 2015 was \$1,177,925 and \$833,525, respectively.

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, 2017:

Measurement Period Ending June 30,	SCRS	PORS
2017	\$ (384,016)	\$ (38,151)
2018	(384,016)	(38,151)
2019	(387,891)	(37,813)
2020	(174,097)	(86,003)
Thereafter	-	-
Net Balance of Deferred (Outflows)/Inflows of Resources	<u>\$ (1,330,020)</u>	<u>\$ (200,118)</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, mortality, 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, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020 annual valuation is complete.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 13—Pension plan and post-retirement benefits (continued)

Actuarial Assumptions (continued) – 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 normal	Entry age normal
Investment rate of return	7.5%	7.5%
Projected salary increases (varies by service)	3.5% to 12.5%	4% to 10%
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%

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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 13—Pension plan and post-retirement benefits (continued)

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 for the years ended June 30, 2016 and 2015, 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:

Asset Class	Target Allocation	Expected Arithmetic Rate of Return	Long-term Expected Rate of Return
Global public equity	34%	6.52%	2.22%
Private equity	9%	9.30%	0.84%
Real estate	5%	4.32%	0.22%
Commodities	3%	4.53%	0.13%
GTAA/Risk Parity	10%	3.90%	0.39%
HF (Low beta)	10%	3.87%	0.39%
Mixed credit	5%	3.52%	0.17%
Emerging markets debt	5%	4.91%	0.25%
Private debt	7%	4.47%	0.31%
Core fixed income	10%	1.72%	0.17%
Cash and short duration (net)	2%	0.71%	0.01%
Total expected rate of return	<u>100%</u>		<u>5.10%</u>
Inflation for actual purposes			<u>2.75%</u>
Total expected nominal return			<u><u>7.85%</u></u>

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for the years ended June 30, 2016 and 2015. 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 determined 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, 2017 AND 2016

Note 13—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 as of:

	June 30, 2017		
	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase Rate (8.50%)
SCRS	\$ 11,519,526	\$ 9,234,291	\$ 7,331,920
PORS	\$ 3,905,682	\$ 2,980,003	\$ 2,148,299

	June 30, 2016		
	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase Rate (8.50%)
SCRS	\$ 10,051,547	\$ 7,972,910	\$ 6,230,727
PORS	\$ 3,369,499	\$ 2,473,521	\$ 1,672,545

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, 2017 and 2016 was \$154,419 and \$108,295, respectively.

Note 14—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, 2017 and 2016. 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, 2017 AND 2016

Note 15—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 policies 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.

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REQUIRED SUPPLEMENTARY INFORMATION

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

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

JUNE 30, 2017 (UNAUDITED)

**Greenville-Spartanburg Airport Commission
Required Supplementary Information
Schedule of Airport's Proportionate Share of the Net Pension Liability**

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					
2016	0.043232%	\$ 9,234,291	\$ 7,301,052	126.5%	52.9%
2015	0.042039%	7,972,910	5,972,314	133.5%	57.0%
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					
2016	0.117490%	\$ 2,980,003	\$ 7,301,052	40.8%	60.4%
2015	0.113490%	2,473,521	5,972,314	41.4%	64.6%
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%

This data is presented for those years which information is available.

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

JUNE 30, 2017 (UNAUDITED)

Greenville-Spartanburg Airport Commission
Required Supplementary Information
Schedule of Airport's Pension Contribution

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					
2017	\$ 613,609	\$ 613,609		\$ 7,301,052	8.4%
2016	513,824	513,824	-	5,972,314	8.6%
2015	429,644	429,644	-	5,594,937	7.7%
2014	400,220	400,220	-	5,251,528	7.6%
Police Officers Retirement System					
2017	\$ 223,454	\$ 223,454		\$ 7,301,052	3.1%
2016	213,415	213,415	-	5,972,314	3.6%
2015	188,544	188,544	-	5,594,937	3.4%
2014	172,838	172,838	-	5,251,528	3.3%

This data is presented for those years which information is available

SINGLE AUDIT

**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, 2016, 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 9, 2017.

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.

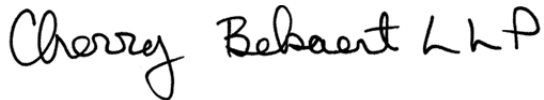
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Bebaert LHP". The signature is written in a cursive style with a large initial 'C' and 'B'.

Greenville, South Carolina
October 9, 2017

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Greenville, South Carolina
October 9, 2017

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

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, 2016 to	Cumulative to	July 1, 2016 to	July 1, 2016 to	Cumulative to	Maximum Federal Participation
		June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017	
Department of Transportation - Airport							
Grant No. 3-45-0028-49 Apron Rehabilitation - (Constr) Phase I	20.106	\$ -	\$ 2,938,968	\$ -	\$ -	\$ 2,645,071	\$ 2,828,410
Grant No. 3-45-0028-50 Apron Rehabilitation - (Constr) Phase II	20.106	3,582,463	6,385,220	3,167,418	5,632,667	5,632,667	5,689,899
Grant No. 3-45-0028-51 Taxiway G Rehabilitation & Apron Rehabilitation (Design) Phase III	20.106	87,362	1,001,097	78,626	900,988	900,988	915,000
Grant No. 3-45-0028-52 Rehabilitate Terminal Building & Apron Rehabilitation (Construction) Phase III	20.106	11,121,007	11,121,007	6,634,367	4,642,799	4,642,799	10,149,762
Total Department of Transportation		<u>14,790,832</u>	<u>21,446,292</u>	<u>9,880,411</u>	<u>11,176,454</u>	<u>13,821,525</u>	<u>19,583,071</u>
Transportation Security Administration	97.090	120,450	2,478,221	90,750	90,750	2,269,087	2,404,205
Total Federal Awards		<u>\$14,911,282</u>	<u>\$23,924,513</u>	<u>\$ 9,971,161</u>	<u>\$11,267,204</u>	<u>\$16,090,612</u>	<u>\$21,987,276</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Note 1—Summary of significant accounting policies

Basis of Presentation – The accompanying schedule of expenditures of federal awards for the year ended June 30, 2017, for projects in effect from August 15, 2011 through June 30, 2017, 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 June 3, 2014 (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.
- b. Grant agreement dated June 30, 2015 (Project #3-45-0028-50), provides funds to rehabilitate the Terminal Apron Phase II. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs not to exceed \$5,689,899.
- c. Grant agreement dated August 18, 2015 (Project #3-45-0028-51), provides funds to rehabilitate the Terminal Apron Phase III (design) and Taxiway G. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs not to exceed \$915,000.
- d. Grant agreement dated September 20, 2016 (Project #3-45-0028-52) provides funds to rehabilitate the Terminal Building and Terminal Apron Phase III (construction). Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable Terminal Building costs (60%) and Apron costs not to exceed \$10,149,762.

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 April 1, 2016 to December 31, 2018. Under the provisions of the agreement, the TSA is to reimburse the Airport for 100% of the cost of law enforcement, not to exceed \$331,650.

Indirect Cost Rate – Under provision of the Uniform Guidance, the Airport is permitted to use a 10% de minimis indirect cost rate. The Airport elected not to use this rate.

Subrecipients – The Airport did not have grant subrecipients during the fiscal year.

Note 2—Status of projects

As of June 30, 2017, the following projects were open:

- Project #3-45-0028-49
- Project #3-45-0028-50
- Project #3-45-0028-51
- Project #3-45-0028-52
- 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, 2017.

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

YEAR ENDED JUNE 30, 2017

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 the Uniform Guidance

yes no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

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, 2017

Section IV. Summary of Prior Year Findings

There were no prior year findings.