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2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT



# **GREENVILLE-SPARTANBURG AIRPORT DISTRICT**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*Fiscal Year Ended June 30, 2018*

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT

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# INTRODUCTORY SECTION

This section contains the following subsections:

Letter of Transmittal  
Airport Commission and Executive Staff  
Organizational Chart



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# GREENVILLE-SPARTANBURG AIRPORT DISTRICT LETTER OF TRANSMITTAL



October 31, 2018

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

The Comprehensive Annual Financial Report of the Greenville-Spartanburg Airport District (“GSP”, the “District”, or the “Airport”) for the fiscal year ended June 30, 2018, is hereby submitted. The Finance Department prepared this report. Responsibility for both the accuracy of the data and completeness and fairness of presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, this report fairly presents and fully discloses the District’s financial position, changes in financial position, and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information of the financial positions of the District.

## **Reporting Entity and Its Services**

In March 1959, the General Assembly of the State of South Carolina enacted an act to create the Greenville-Spartanburg Airport District (the “District”), a political subdivision of the State of South Carolina. The corporate powers and duties of the District are to be exercised and performed by the Greenville-Spartanburg Airport Commission.

The membership of the Commission consists of three (3) members who are residents of Spartanburg County and who are appointed upon the recommendation of a majority of the members of the Spartanburg County Legislative Delegation, AND three (3) members who are residents of Greenville County and who are appointed upon the recommendation of a majority of the members of the Greenville County Legislative Delegation. Thus, a total of six (6) members exist. Upon election by a majority of the Greenville or the Spartanburg Delegation, as the case may be, the secretary or acting secretary of the respective county delegation shall certify the approval to the Governor, who shall Commission the nominee for a term of six (6) years.

The Commission supervises the process by which the financial statements are annually audited through an established Audit Committee. The Committee consists of three members of the Commission whose responsibilities include supervising the processes by which the annual financial statements are audited, thereby providing independent oversight. The Committee meets with both Airport staff and external auditors to insure objectivity and full disclosure of any concerns impacting financial reporting.

## **Economic Condition and Outlook**

Situated in the upstate region of South Carolina, the Airport has experienced strong profitability levels. As such, management remains committed to providing increased levels of air service for the surrounding population, which consists of ten counties. The Upstate Metropolitan Statistical Area (MSA) consists of Abbeville, Anderson, Cherokee, Greenville, Greenwood, Laurens, Oconee, Pickens, Spartanburg and Union Counties. With a MSA population of over 1.4 million people, the Upstate is a hub of services and industries that include cutting edge technologies in automotive, aerospace, advanced materials, biosciences and engineering. The community enjoys a natural location for distribution and warehousing activities. Quality of life, labor force, cultural, educational, and medical facilities are considered key resources in the market’s ability to sustain future growth.

The Airport experienced significant growth in fiscal year 2018 with 2.2 million passengers served and approximately 1.1 million enplanements. The airport continued a trend of solid enplanement growth, with percentage increases of 7.5% and 2.9% for fiscal year 2018 and 2017. The cargo operation also experienced significant growth in fiscal year 2018 with 112.4 million pounds, resulting in an increase of 37.4%. Cargo activity generates different types of revenue for the District including landing fees, cargo warehouse rentals, aircraft apron rentals, ground service equipment leasing, and ground handling fees. Cargo carriers represented 22.1% of the landed weight in fiscal year 2018, which is a slight increase from the 18.6% in fiscal year 2017.

## GREENVILLE-SPARTANBURG AIRPORT DISTRICT LETTER OF TRANSMITTAL (CONTINUED)



The strength of the Upstate economy lies in its uniquely diversified industry structure. A key economic driver for the Upstate centers around the Inland Port's location in Greer, SC. The automotive industry serves a prominent economic role in the Upstate thanks to the BMW plant in Spartanburg County, which has generated a total annual economic impact of approximately \$16.6 billion for the state through 30,000 jobs since it started production in 1995. Today, for every single direct job created at BMW, three other support jobs are created elsewhere.

The region is not dependent upon any single industry to continue increasing economic output and attracting top talent. Also located in Spartanburg County, Adidas controls a distribution facility that ships 65 million units of apparel each year representing 80% of North America's output and 20% of the company's global output. The Upstate is home to one-third of the over 400 aviation and aerospace companies located in South Carolina. In 2017, these companies generated an economic impact of over \$6 billion for the Upstate. In keeping with the aviation industry and directly related to GSP, the airport completed a \$128 million terminal renovation project in 2017 that had a total economic impact of \$164 million during construction.

Since 2010, a large focus on capital investment has taken place for both new companies as well as existing company expansion projects. Combined, over \$15 billion (\$1.9 billion annually) has been invested in the Upstate creating approximately 44,000 jobs (5,500 jobs annually).

The economic success that the Upstate has enjoyed over the last several years is expected to continue. Notably, the Upstate hosted the World Equestrian Games in September 2018, which was held in Tyron, NC. The games were expected to draw 1,000 riders, 1,500 horses, and 500,000 spectators from 70 countries to the region. Many of the attendees travelled through GSP including a significant amount of the participants from the international community. The event was estimated to have a \$400 million economic impact for the Upstate and North Carolina.

### **Long-term Financial Planning**

The District prepares an annual operating and capital improvement budget, which is submitted for approval to the Commission. A five-year capital improvement program, including modifications and reasons therefore, is also prepared.

The District maintains excess operating cash on hand to guard against significant economic downturn. In an effort to provide revenue diversification, the District continues to pursue various options in real estate development and sources of non-aviation revenue.

The District has incurred no additional long-term debt expenditures in either the fiscal year ended June 30, 2018 or 2017. The only expenditures related to long-term debt are those of normal debt service.

### **Accounting Systems**

The management of the District is responsible for establishing and maintaining internal control designed to ensure that the assets of the District are safeguarded. In addition, as a recipient of federal financial assistance, the District is responsible for ensuring that adequate internal control is in place to ensure compliance with laws and regulations to the Airport Improvement Program (AIP).

The objectives of internal control are to provide management with reasonable assurance that the resources are safeguarded against waste, loss and misuse, and reliable data is recorded, maintained and fairly disclosed in reports. The current internal controls provide the District with a solid base of reliable financial records from which financial statements are prepared. These accounting controls provide reasonable assurance that accounting data is reliable and available to facilitate the preparation of financial statements on a timely basis. Inherent limitations should be recognized in considering the potential effectiveness of any system on internal control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived, and that the evaluation of those factors requires judgement by management.

## GREENVILLE-SPARTANBURG AIRPORT DISTRICT LETTER OF TRANSMITTAL (CONTINUED)



The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting. The District is a local government proprietary fund, and therefore the activities are reported in conformity with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB).

### **Budgetary Control**

The District's annual budget is a financial planning tool outlining the estimated revenues and expenses for the District. Prior to July 1 of each year, the District prepares and submits its budget to the Commission for the ensuing fiscal year. Budgetary control and evaluation are affected by comparing actual unaudited and annual results with budget. The District conducts periodic reviews to ensure compliance with the provisions of the annual operating budget approved by the Commission. Operating statements comparing actual financial results to budgets are reported periodically by the Chief Financial Officer and distributed to executive staff, Commission and key partners. Certain assumptions are made in determining the annual budget and accordingly subsequent results could differ substantially from those projected. In keeping with the requirements of a proprietary fund, budgetary comparisons have not been included in the financial section of this report.

### **Independent Audit**

The financial statements for fiscal year 2018 were audited by Cherry Bekaert LLP, and the opinion resulting from their examination is included in this Comprehensive Annual Financial Report. Their audit was made 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. Each year, the independent certified public accountants meet with the Audit Committee of the Commission to review the results of the audit.

### **Acknowledgements**

The publication of this annual financial report is the culmination of a year of hard work by the District's Finance Department. We appreciate the commitment, efforts, and perseverance of the Finance Department staff in the preparation of this report.

We also thank the Management Team and the Commission for their leadership and support in planning and conducting the financial operations of the District in a responsible and progressive manner. Lastly, we appreciate Cherry Bekaert LLP's dedication to completing the audit timely.

Respectfully submitted,

David N. Edwards, Jr.  
President/CEO

Basil O. Dosunmu  
Senior Vice President – Administration and  
Finance/Chief Financial Officer

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT  
AIRPORT COMMISSION AND EXECUTIVE STAFF**



**GREENVILLE-SPARTANBURG AIRPORT COMMISSION**

**Minor Shaw**  
**Chairperson**

**Hank Ramella**  
**Vice Chairperson**

**Leland Burch**  
**Commissioner**

**Valerie Miller**  
**Commissioner**

**Bill Barnet**  
**Commissioner**

**Doug Smith**  
**Commissioner**

**EXECUTIVE STAFF**

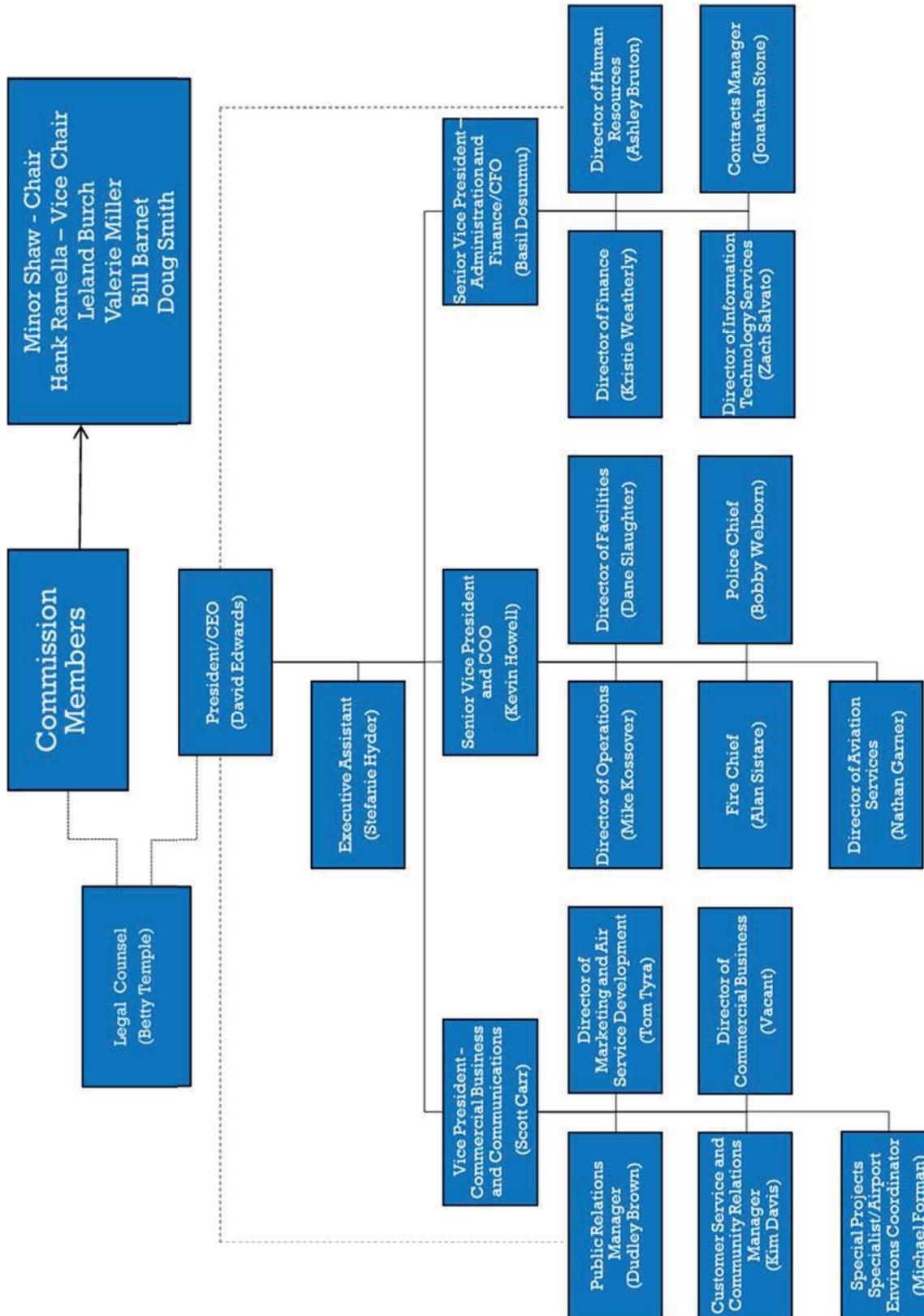
**David N. Edwards, Jr.**  
**President/Chief Executive Officer (CEO)**

**Kevin Howell**  
**Senior Vice President/Chief Operating Officer (COO)**

**Basil O. Dosunmu**  
**Senior Vice President - Administration and Finance/Chief Financial Officer (CFO)**

**Scott Carr**  
**Vice President - Commercial Business and Communications**

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT ORGANIZATIONAL CHART (COMMISSION MEMBERS AND MANAGEMENT TEAM)



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# FINANCIAL SECTION

This section contains the following subsections:

Report of Independent Auditor  
Management's Discussion and Analysis  
Basic Financial Statements



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## Report of Independent Auditor

To the Commissioners  
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, 2018 and 2017, 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, 2018 and 2017, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Notes 14 and 15 to the basic financial statements, the Airport implemented the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other than Pensions*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 17 and the required supplementary information schedules on pages 39 through 41 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 introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 also not a required part of the basic financial statements.

The SEFA is the responsibility of management and were 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 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 31, 2018

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

JUNE 30, 2018 AND 2017 (UNAUDITED)



The following Management Discussion and Analysis (“MD&A”) of the Airport’s activities and financial performance for the fiscal years ended June 30, 2018 and 2017, 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.

## 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 the 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 the 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 (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



## FINANCIAL HIGHLIGHTS

### STATEMENTS OF NET POSITION, JUNE 30, 2018 AND 2017

	June 30		Change	%
	2018	2017		
<b>Assets:</b>				
Cash and investments	\$ 24,593,906	\$ 18,152,402	\$ 6,441,504	35.5
Bond funds	421,980	406,836	15,144	3.7
Receivables	4,174,914	5,206,295	(1,031,381)	(19.8)
Capital assets – net	250,852,809	237,687,569	13,165,240	5.5
Other	565,985	478,742	87,243	18.2
<b>Total assets</b>	<b>\$ 280,609,594</b>	<b>\$ 261,931,844</b>	<b>\$ 18,677,750</b>	<b>7.1</b>
Deferred Outflow of Resources	\$ 4,794,092	\$ 2,329,682	\$ 2,464,410	105.8
<b>Liabilities:</b>				
Current liabilities	\$ 12,353,695	\$ 6,872,367	\$ 5,481,328	79.8
Long-term liabilities	18,923,297	16,210,138	2,713,159	16.7
<b>Total liabilities</b>	<b>\$ 31,276,992</b>	<b>\$ 23,082,505</b>	<b>\$ 8,194,487</b>	<b>35.5</b>
Deferred Inflow of Resources	\$ 15,176	\$ 23,293	\$ (8,117)	(34.8)
<b>Net position:</b>				
Net investment in capital assets	\$ 240,693,314	\$ 231,975,926	\$ 8,717,388	3.8
Restricted	2,524,577	2,485,584	38,993	1.6
Unrestricted	10,893,627	6,694,218	4,199,409	62.7
<b>Total net position</b>	<b>\$ 254,111,518</b>	<b>\$ 241,155,728</b>	<b>\$ 12,955,790</b>	<b>5.4</b>

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 \$254,111,518, of which \$10,893,627 is unrestricted.

- Total assets at June 30, 2018 were \$280,609,594, which included \$17,135,260 in cash and receivables, \$9,996,078 in investments, \$421,980 in investments held by US Bank (GSP's Revenue Bond Trustee), and \$250,852,809 in net capital assets. Total liabilities were \$31,276,992, \$15,243,794 of which related to the unfunded portion of the South Carolina Retirement pension and \$1,620,000 of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the \$280,609,594 in assets plus the \$4,794,092 in deferred outflows of resources and the \$31,276,992 in liabilities plus the \$15,176 in deferred inflows of resources is categorized as Net Position (\$254,111,518). Net Position is composed of \$240,693,314 of net investment in capital assets, \$2,524,577 restricted for capital projects, and \$10,893,627 unrestricted.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



## FINANCIAL HIGHLIGHTS

### STATEMENTS OF NET POSITION, JUNE 30, 2017 AND 2016

	June 30		Change	%
	2017	2016		
<b>Assets:</b>				
Cash and investments	\$ 18,152,402	\$ 19,669,642	\$ (1,517,240)	(7.7)
Bond funds	406,836	397,748	9,088	2.3
Receivables	5,206,295	5,914,095	(707,800)	(12.0)
Capital assets – net	237,687,569	216,597,316	21,090,253	9.7
Other	478,742	1,056,375	(577,633)	(54.7)
<b>Total assets</b>	<b>\$ 261,931,844</b>	<b>\$ 243,635,176</b>	<b>\$ 18,296,668</b>	<b>7.5</b>
Deferred Outflow of Resources	\$ 2,329,682	\$ 972,467	\$ 1,357,215	139.6
<b>Liabilities:</b>				
Current liabilities	\$ 6,872,367	\$ 3,818,709	\$ 3,053,658	80.0
Long-term liabilities	16,210,138	14,820,829	1,389,309	9.4
<b>Total liabilities</b>	<b>\$ 23,082,505</b>	<b>\$ 18,639,538</b>	<b>\$ 4,442,967</b>	<b>23.8</b>
Deferred Inflow of Resources	\$ 23,293	\$ 32,267	\$ (8,974)	(27.8)
<b>Net position:</b>				
Net investment in capital assets	\$ 231,975,926	\$ 212,500,496	\$ 19,475,430	9.2
Restricted	2,485,584	2,431,483	54,101	2.2
Unrestricted	6,694,218	11,003,859	(4,309,641)	(39.2)
<b>Total net position</b>	<b>\$ 241,155,728</b>	<b>\$ 225,935,838</b>	<b>\$ 15,219,890</b>	<b>6.7</b>

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 \$241,155,728, of which \$6,694,218 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 \$23,082,505, \$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 \$23,082,505 in liabilities plus the \$23,293 in deferred inflows of resources is categorized as Net Position (\$241,155,728). Net Position is composed of \$231,975,926 of net investment in capital assets, \$2,485,584 restricted for capital projects, and \$6,694,218 unrestricted.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



## FINANCIAL HIGHLIGHTS

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, JUNE 30, 2018 AND 2017

	June 30		Change	%
	2018	2017		
Operating revenues:				
Landing and other airside fees	\$ 3,299,368	\$ 3,222,021	\$ 77,347	2.4
Space and ground rental fees	10,524,537	8,811,883	1,712,654	19.4
Concessions revenue	17,516,524	16,314,117	1,202,407	7.4
Expense reimbursements	1,590,176	1,268,283	321,893	25.4
Other revenue	3,222,842	1,922,952	1,299,890	67.6
Gross profit on fuel sales	4,300,776	1,906,452	2,394,324	125.6
Total operating revenues	40,454,223	33,445,708	7,008,515	21.0
Operating expenses:				
Direct operating expenses	20,891,897	19,038,116	1,853,781	9.7
Loss on disposal of assets	-	3,581	(3,581)	(100.0)
Pension	2,124,770	1,177,925	946,845	80.4
Depreciation	11,804,257	10,846,378	957,879	8.8
Total operating expenses	34,820,924	31,066,000	3,754,924	12.1
Operating income	5,633,299	2,379,708	3,253,591	136.7
Non-operating income	1,468,424	1,053,597	414,827	39.4
Income before capital contributions	7,101,723	3,433,305	3,668,418	106.8
Capital contributions	5,854,067	11,936,179	(6,082,112)	(51.0)
Change in net position	\$ 12,955,790	\$ 15,369,484	\$ (2,413,694)	(15.7)

- Total operating revenues were \$40,454,223 for the fiscal year ended June 30, 2018, up 21.0% from \$33,445,708 as compared to the prior year. The increase was the result of increases in sales from FBO ("Fixed Base Operations") (brought in-house in early 2017); cargo operations, concessions (parking, rental car, and food/beverage); and space rental revenues. The increases are due to several factors such as growth in FBO operations, increased traffic, increased rented space, new space rentals, etc.
- Total direct operating expenses were \$20,891,897 for the fiscal year ended June 30, 2018, up 9.7% from \$19,038,116 as compared to the prior year. This increase was largely due to an increase in the number of employees and mid-year salary adjustments based on the salary survey.
- Pension expense was \$2,124,770 for the fiscal year ended June 30, 2018, up 80.4% from \$1,177,925 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 \$1,468,424 for the fiscal year ended June 30, 2018, up 39.4% from \$1,053,597 as compared to the prior year. This is due to the receipt of insurance proceeds related to hail damage.
- Depreciation expense was \$11,804,257 for the fiscal year ended June 30, 2018, as compared to \$10,846,378 in the fiscal year ended June 30, 2017.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



- The debt service coverage ratio was 4,172%, 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 income before capital contributions of \$7,101,723 and \$3,433,305 for fiscal year ended June 30, 2018 and fiscal year ended June 30, 2017, respectively.

## 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	9.0
Space and ground rental fees	8,811,883	8,709,634	102,249	1.2
Concessions revenue	16,314,117	14,178,162	2,135,955	15.1
Expense reimbursements	1,268,283	1,272,775	(4,492)	(0.4)
Other revenue	1,922,952	1,247,052	675,900	54.2
Gross profit on fuel sales	1,906,452	-	1,906,452	100.0
Total operating revenues	<u>33,445,708</u>	<u>28,364,557</u>	<u>5,081,151</u>	<u>17.9</u>
Operating expenses:				
Direct operating expenses	19,038,116	14,842,149	4,195,967	28.3
Loss on disposal of assets	3,581	195,388	(191,807)	(98.2)
Pension	1,177,925	833,525	344,400	41.3
Depreciation	10,846,378	10,129,258	717,120	7.1
Total operating expenses	<u>31,066,000</u>	<u>26,000,320</u>	<u>5,065,680</u>	<u>19.5</u>
Operating income	2,379,708	2,364,237	15,471	0.7
Non-operating income	<u>1,053,597</u>	<u>916,288</u>	<u>137,309</u>	<u>15.0</u>
Income before capital contributions	3,433,305	3,280,525	152,780	4.7
Capital contributions	<u>11,936,179</u>	<u>3,341,221</u>	<u>8,594,958</u>	<u>257.2</u>
Change in net position	<u>\$ 15,369,484</u>	<u>\$ 6,621,746</u>	<u>\$ 8,747,738</u>	<u>132.1</u>

- Total operating revenues were \$33,445,708 for the fiscal year ended June 30, 2017, up 17.9% 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 28.3% 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 41.3% 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.

## GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



- Total non-operating income was \$1,053,597 for the fiscal year ended June 30, 2017, up 15.0% 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.
- 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.

### Description of Significant Capital and Long-term Debt Expenditures

The Airport District finished a major five year terminal renovation with a project budget of approximately \$128 million in the 2<sup>nd</sup> 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.

### 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 drawdown on this LOC was made on September 23, 2016 for \$2,164,358. A second drawdown was made on February 12, 2018 in the amount of \$5,030,011 for a total outstanding balance of \$7,194,369. Debt service is interest-only. Interest is variable at 1 month LIBOR plus 75 basis points. At June 30, 2018 and June 30, 2017, the 1 month LIBOR was pegged at 2.09% and 1.22%, respectively. Adding 0.75% gives us an interest rate of 2.84% and 1.97%, respectively. 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, 2018 or June 30, 2017.

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.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



## 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
- 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 thru 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 2015, 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, which are expected to continue for the foreseeable future.

The most recent Federal Aviation Administration (“FAA’s”) Aerospace Forecast currently published (2018-2038) contains the following “Forecast Highlights”:

“Since the end of the recession in 2009, U.S. airlines revamped 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. The results of these efforts have been impressive: 2017 marks the eighth consecutive year of profitability for the U.S. airline industry. Looking forward, there is confidence that U.S. airlines have finally transformed from a capital intensive, highly cyclical industry to an industry that generates solid returns on capital and sustained profits.

## GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



Fundamentally, over the medium and long term, aviation demand 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 2018 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 uptick in passenger growth in 2016-17 will continue into 2018 spurred on by favorable economic conditions in the U.S. and the world. Oil prices averaged \$48 per barrel in 2017 rising to \$51 in 2018, and our forecast assumes they will increase thereafter to exceed \$100 by 2030 and approach \$119 by the end of the forecast period. The head-winds that have buffeted the global economy during the past few years – 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 seem to be diminishing. The U.S. economy is showing signs of accelerating, powered by gains in the stock market and should see additional stimulus in 2018 with the passing of the tax cut bill in December 2017.

System traffic in revenue passenger miles (RPMs) is projected to increase by 2.3 percent a year between 2018 and 2038. Domestic RPMs are forecast to grow 1.9 percent a year while International RPMs are forecast to grow significantly faster at 3.2 percent a year. System capacity as measured by available seat miles (ASMs) is forecast to grow in line with the increases in demand. The number of seats per aircraft is growing, especially in the regional jet market, where we expect the number of 50 seat regional jets to fall to just a handful by 2030, replaced by 70-90 seat aircraft.

Although the U.S. and global economy saw growth accelerate in 2017, a combination of higher energy prices and labor cost increases resulted in profits for U.S. airlines falling from 2016's record levels. The FAA expects U.S. carrier profitability to remain steady or increase as solid demand fed by an improving economy offsets rising energy and labor costs. 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 forecast to remain relatively stable between 2018 and 2038. 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. While the fleet remains level, the number of general aviation hours flown is projected to increase an average of 0.8 percent per year through 2038, 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 that has the potential to increase controller workload. Operations at FAA and contract towers are forecast to grow 0.9 percent a year over the forecast period with commercial activity growing at five times the rate of non-commercial 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 2018-2038*

## GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



### Moody's Investor Service Airport Industry Outlook

Moody's has once again 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 November 27, 2017:

#### 2018 Outlook – Moody's: Strong enplanement growth supports US airport industry outlook

Our outlook for the US airport industry is positive. This outlook reflects our expectations for the fundamental business conditions in the industry over the next 12 to 18 months.

Continued growth in the US economy, combined with more seat capacity on US airlines, will push enplanement growth above our threshold for a positive outlook. Growth in enplanements, or the number of passengers using an airport to depart on a flight, generally translates into higher parking and terminal concession revenue. Our outlook has been positive since December 2014.

- **US economic expansion will help push enplanement growth to 3.7%.** The US economy will expand about 2.3% in 2018, according to Moody's Investors Service, supporting increased air travel and lifting enplanement growth to 3.7% in 2018. Enplanement growth has historically demonstrated a high positive correlation with the average of GDP and seat growth.
- **Airlines will add seats faster than in 2017.** We expect that seat capacity will rise between 4.5% and 5.7% overall in 2018, up from between 3.5% and 4.5% in 2017.
- **Stronger-than-expected financial performance will protect against downside risks.** Most airports incorporate an expectation of 2-3% enplanement growth in the annual rates and charges they set for airlines. We think enplanement growth will surpass this level at most airports this year and the next, resulting in higher-than-expected revenues.
- **Airports face parking revenue declines from shifting transportation choices.** Airports are experiencing losses in parking revenue as passengers increasingly turn to services such as Uber and Lyft, but access fees charged to those companies have kept total revenue stable. We expect airports will continue to charge these fees to maintain revenue.
- **Small- and non-hub airports will have the strongest enplanement growth.** Ultralow cost airlines such as Frontier and Allegiant will continue to implement service to new leisure travel markets, causing significant increases in enplanements for individual small hubs, similar to those seen in 2017. However, small-hub airports that cannot attract more carriers will suffer, as large carriers constrain capacity and regional carriers face a pilot shortage.

*Source: Moody's Investor Service outlook on US Airport Industry "2018 outlook positive due to expectation of strong enplanement growth" November 27, 2017*

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2018 AND 2017 (UNAUDITED)



## 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
- 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. 2018 witnessed many service-focused improvements and new business opportunities at the Airport including, but not limited to:

- Completion of our new terminal renovation
- Opening of new food and beverage options including Wolfgang Puck and Palmetto Distillery
- Growth of our new FBO service, Cerulean Aviation
- New international cargo service from GSP to Queretaro, Mexico and strong service to 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 & charges, aggressive air service development efforts, regional economic trends, healthy catchment area/size, and many other factors.

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# GREENVILLE-SPARTANBURG AIRPORT DISTRICT STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017



	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 11,854,070	\$ 6,291,399
Receivables	2,537,432	3,338,906
Inventories and prepaid insurance	565,985	478,742
Investments	9,996,078	9,995,526
Notes receivable - current portion	255,478	242,159
Total current assets	<u>25,209,043</u>	<u>20,346,732</u>
Restricted assets:		
Cash	2,743,758	1,865,477
Receivables	292,356	280,104
Investments - held by Trustee	421,980	406,836
Total restricted assets	<u>3,458,094</u>	<u>2,552,417</u>
Notes receivable - net of current portion	<u>1,089,648</u>	<u>1,345,126</u>
Capital assets - at cost:		
Land	41,074,047	41,074,047
Buildings and equipment	258,770,575	248,438,354
Runways	78,756,985	71,811,075
Construction-in-progress	19,820,006	12,172,706
Total capital assets	398,421,613	373,496,182
Less accumulated depreciation	<u>(147,568,804)</u>	<u>(135,808,613)</u>
Capital assets - net	<u>250,852,809</u>	<u>237,687,569</u>
Total Assets	<u>\$ 280,609,594</u>	<u>\$ 261,931,844</u>
Deferred Outflows of Resources:		
Deferred Outflow Related to State Pension	\$ 4,534,914	\$ 2,329,682
Deferred Outflow Related to OPEB	259,178	-
Total deferred outflows	<u>\$ 4,794,092</u>	<u>\$ 2,329,682</u>

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

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

JUNE 30, 2018 AND 2017



	<u>2018</u>	<u>2017</u>
<b>LIABILITIES</b>		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 4,483,612	\$ 4,059,017
LOC draw-down	7,194,369	2,164,358
Unearned credits - current portion	<u>255,478</u>	<u>242,159</u>
Total payable from unrestricted assets	<u>11,933,459</u>	<u>6,465,534</u>
Payable from restricted assets:		
Accrued interest payable	55,236	66,833
Revenue bonds - current portion	<u>365,000</u>	<u>340,000</u>
Total payable from restricted assets	<u>420,236</u>	<u>406,833</u>
Total current liabilities	<u>12,353,695</u>	<u>6,872,367</u>
Unearned credits - net of current portion	1,089,648	1,345,126
Long-term employee benefits	1,334,855	1,030,718
SCRS Pension liability	15,243,794	12,214,294
Revenue bonds payable - net of current portion	<u>1,255,000</u>	<u>1,620,000</u>
Total Liabilities	<u>\$ 31,276,992</u>	<u>\$ 23,082,505</u>
Deferred Inflow Related to State Pension	<u>\$ 15,176</u>	<u>\$ 23,293</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 240,693,314	\$ 231,975,926
Restricted:		
Held by Trustee	366,744	340,003
Contract facility charges	<u>2,157,833</u>	<u>2,145,581</u>
Total restricted	<u>2,524,577</u>	<u>2,485,584</u>
Unrestricted	<u>10,893,627</u>	<u>6,694,218</u>
Total Net Position	<u>\$ 254,111,518</u>	<u>\$ 241,155,728</u>

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

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



YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Airside	\$ 3,299,368	\$ 3,222,021
Space and ground rental	10,524,537	8,811,883
Concessions	17,516,524	16,314,117
Other	4,813,018	3,191,235
	<u>36,153,447</u>	<u>31,539,256</u>
Operating revenues before fuel sales		
Gross profit on fuel sales:		
Fuel sales	5,897,971	2,317,579
Cost of goods sold	(1,597,195)	(411,127)
Fuel sales - net	4,300,776	1,906,452
Total operating revenues	<u>40,454,223</u>	<u>33,445,708</u>
Operating expenses before loss on disposal of assets, pension and depreciation:		
Airfield	308,049	260,000
Terminal building	3,243,723	2,370,823
Administrative	5,612,044	6,646,015
Maintenance and operations	3,940,995	3,328,118
Fire and crash department	1,220,051	1,155,122
Security	1,233,027	1,216,434
Other direct expenses	5,334,008	4,061,604
Total operating expenses before loss on disposal of assets and depreciation	<u>20,891,897</u>	<u>19,038,116</u>
Operating income before loss on disposal of assets, pension and depreciation	19,562,326	14,407,592
Net loss on disposal of assets	-	3,581
Pension	2,124,770	1,177,925
Depreciation	11,804,257	10,846,378
Operating income	<u>5,633,299</u>	<u>2,379,708</u>
Nonoperating revenues (expenses):		
Contract facility charges	985,757	1,154,380
Interest on accounts	133,503	52,915
Change in fair value of investments	10,429	2,428
Gain on proceeds from insurance settlement	535,558	-
Interest and other financing costs - net	(196,823)	(156,126)
Nonoperating revenues - net	<u>1,468,424</u>	<u>1,053,597</u>
Income before capital contributions	7,101,723	3,433,305
Capital contributions	5,854,067	11,936,179
Increase in net position	12,955,790	15,369,484
Net position:		
Beginning of year	241,155,728	225,935,838
Cumulative effect of the change in accounting principle	-	(149,594)
Beginning of year, restated	<u>241,155,728</u>	<u>225,786,244</u>
End of year	<u>\$ 254,111,518</u>	<u>\$ 241,155,728</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, 2018 AND 2017



	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Cash received from providing services	\$ 42,852,892	\$ 34,369,093
Cash payments to suppliers for goods and services	(11,163,769)	(9,065,604)
Cash payments to employees for services	<u>(12,251,631)</u>	<u>(9,660,659)</u>
Net cash provided by operating activities	<u>19,437,492</u>	<u>15,642,830</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(24,969,497)	(31,940,212)
Net proceeds from sale of investments - held by Trustee	(15,144)	(9,088)
Principal payments on bonds	(340,000)	(320,000)
Interest payment on bonds	(208,420)	(167,038)
Proceeds from insurance settlement	535,558	-
Capital contributions	5,854,067	11,936,179
Contract facility charges	973,505	1,120,388
Line of credit	<u>5,030,011</u>	<u>2,164,358</u>
Net cash used in capital and related financing activities	<u>(13,139,920)</u>	<u>(17,215,413)</u>
<b>Cash flows from investing activities:</b>		
Net purchase and maturity of investment securities	9,877	6,871,286
Investment income	<u>133,503</u>	<u>52,915</u>
Net cash provided by investing activities	<u>143,380</u>	<u>6,924,201</u>
Net increase in cash	6,440,952	5,351,618
Cash, beginning of year	<u>8,156,876</u>	<u>2,805,258</u>
Cash, end of year	<u>\$ 14,597,828</u>	<u>\$ 8,156,876</u>
<b>Reconciliation to balance sheet</b>		
Unrestricted cash	\$ 11,854,070	\$ 6,291,399
Restricted cash	<u>2,743,758</u>	<u>1,865,477</u>
Cash, end of year	<u>\$ 14,597,828</u>	<u>\$ 8,156,876</u>

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

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

YEARS ENDED JUNE 30, 2018 AND 2017



	<u>2018</u>	<u>2017</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 5,633,299	\$ 2,379,708
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,804,257	10,846,378
Net loss on disposal of capital assets	-	3,581
Change in assets and liabilities:		
Trade and other receivables	801,474	512,257
Inventories and prepaid insurance	(87,243)	577,633
Deferred outflows related to state pension	(2,205,232)	(1,357,215)
Deferred outflows related to OPEB	(259,178)	-
Trade accounts payable and accrued liabilities	424,595	867,588
Other long-term liabilities	3,333,637	1,821,874
Deferred pension investment earnings	(8,117)	(8,974)
Total adjustments	<u>13,804,193</u>	<u>13,263,122</u>
Net cash provided by operating activities	<u>\$ 19,437,492</u>	<u>\$ 15,642,830</u>

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

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## 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, 2018 and 2017 were \$9,996,078 and \$9,995,526, 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, 2018 and 2017, 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. 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.

*Change in Accounting Principle* – Effective July 1, 2017, the Airport adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, which 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 adopted GASB Statement No. 75 as of and for the year ended June 30, 2018 and adjusted its OPEB liability to conform to the new standards. The effect of this implementation is discussed in Notes 14 and 15.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## 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 40 years. The Airport's threshold for capitalization is \$10,000. Repair and maintenance costs are expensed when incurred. Changes in accumulated depreciation during 2018 and 2017 are as follows:

	<b>Capital Assets Acquired by FAA Grants</b>	<b>Other Capital Assets</b>	<b>Total Capital Assets</b>
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	(263,039)	(708,146)	(971,185)
Accumulated depreciation - June 30, 2017	74,955,778	60,852,835	135,808,613
Fiscal year 2018 depreciation	4,885,943	6,918,314	11,804,257
Less - 2018 capital asset write-offs	-	(44,066)	(44,066)
Accumulated depreciation - June 30, 2018	<u>\$ 79,841,721</u>	<u>\$ 67,727,083</u>	<u>\$ 147,568,804</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, 2018 and 2017. 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, 2018 and 2017, as notes receivable and unearned credits totaling \$1,345,126 and \$1,587,285, respectively, in the accompanying statements of net position.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



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

For the years ended June 30, 2018 and 2017, the Airport has recorded CFCs related to space and ground rental as operating revenue of \$2,176,787 and \$1,781,324, respectively, in addition to non-operating revenue consisting of the following:

	<u>2018</u>	<u>2017</u>
Funding of Series 2001 Bonds	\$ 462,078	\$ 464,584
Reimbursement of Airport-funded construction costs	329,460	329,460
CFC surplus receipts/(deficit)	194,219	360,336
	<u>\$ 985,757</u>	<u>\$ 1,154,380</u>

Additionally, as of June 30, 2018 and 2017, the Airport had received but not yet spent CFCs totaling \$2,743,758 and \$1,865,477, respectively, which are reported as restricted in the accompanying statements of net position until expended. The assets are included in cash at June 30, 2018 and investments at June 30, 2017.

*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, financing-related costs and charges, and insurance proceeds, 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 non-airline 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 THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## 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, 2018 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 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. 87, Leases**, effective for periods beginning after December 15, 2019, requires lessees to recognize certain lease assets and lease liabilities for leases that previously were classified as operating leases. The statement requires the recognition of amortization expense for using the leased asset over the shorter of the term of the lease or the useful life of the underlying asset, interest expense on the lease liability, and note disclosures about the lease. The impact to Airport upon adoption of this statement is currently being evaluated by management.

## 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, 2018, the carrying amount for Airport's cash totaled \$14,857,838. 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.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## 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, 2018 and 2017, no allowance for uncollectible amounts was recorded.

Receivables (including restricted assets) consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Trade and contract facility charge	\$ 986,895	\$ 1,015,911
FAA and other grants	848,288	2,048,800
Interest and other	994,605	554,299
	<u>\$ 2,829,788</u>	<u>\$ 3,619,010</u>

## Note 5—Investments

At June 30, 2018 and 2017, the Airport's investment balances, recorded at fair value, were \$9,996,078 and \$9,995,526, respectively. At June 30, 2018 and 2017, the entire amount was invested in U.S. Treasury bills.

All investments held at June 30, 2018 and 2017 have maturities of less than one year and have an AAA rating. In addition, investments with fair values of \$421,980 and \$406,836 as of June 30, 2018 and 2017, respectively, were held by a trustee.

*Types of Allowable Investments* – In accordance with the South Carolina State Statutes and the Airport'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.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## Note 5—Investments (continued)

*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, 2018 and 2017, the Airport’s Treasury bills are valued using significant other observable inputs (Level 2 inputs).

## Note 6—Capital assets

A summary of changes in capital assets during fiscal 2018 and 2017 is as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 41,074,047	\$ -	\$ -	\$ 41,074,047
Construction-in-process	12,172,706	16,441,503	(8,794,203)	19,820,006
Total capital assets not being depreciated	<u>53,246,753</u>	<u>16,441,503</u>	<u>(8,794,203)</u>	<u>60,894,053</u>
Capital assets being depreciated:				
Buildings and equipment	248,438,354	4,228,468	6,103,753	258,770,575
Runways	71,811,075	4,299,526	2,646,384	78,756,985
Total capital assets being depreciated	<u>320,249,429</u>	<u>8,527,994</u>	<u>8,750,137</u>	<u>337,527,560</u>
Total accumulated depreciation	<u>(135,808,613)</u>	<u>(11,804,257)</u>	<u>44,066</u>	<u>(147,568,804)</u>
Net capital assets	<u>\$ 237,687,569</u>	<u>\$ 13,165,240</u>	<u>\$ -</u>	<u>\$ 250,852,809</u>

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## Note 6—Capital assets (continued)

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>

Interest costs charged to expense for the years ended June 30, 2018 and 2017 totaled \$196,823 and \$156,126, respectively.

## Note 7—Revenue bonds

A summary of the revenue bond changes during fiscal 2018 and 2017 is as follows:

	<u>Outstanding June 30, 2017</u>	<u>Net Cash Disbursement</u>	<u>Outstanding June 30, 2018</u>	<u>Current Portion</u>
Revenue bonds:				
Series 2001B	\$ 1,960,000	\$ (340,000)	\$ 1,620,000	\$ 365,000
Total	<u>\$ 1,960,000</u>	<u>\$ (340,000)</u>	<u>\$ 1,620,000</u>	<u>\$ 365,000</u>
	<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>

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## Note 7—Revenue bonds (continued)

*Series 2001 Bonds* – In August 2001, the Airport issued \$4,990,000 of taxable revenue bonds (“Series 2001B Bonds”). Proceeds of the issuances were used to construct a new rental car facility and related improvements. Interest is payable semiannually on July 1 and January 1. Annual principal installments are due on July 1 and commenced on July 1, 2003. The Series 2001B Bonds are composed of serial bonds which bear interest at 6.82% 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, 2018 and 2017, 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, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Thereafter	-	-	-
Total	<u>\$ 1,620,000</u>	<u>\$ 285,417</u>	<u>\$ 1,905,417</u>

## Note 8—Line of credit

In September 2016, the Airport entered into a \$25,000,000 revolving line of credit agreement with a maturity date of September 7, 2017. The line of credit bears an interest rate of 1-month LIBOR rate plus 0.75%. At June 30, 2018 and 2017, the applicable interest rate was 2.84% and 1.97%, respectively. For the years ended June 30, 2018 and 2017, there was \$7,194,369 and \$2,164,358, respectively, in borrowings outstanding against this line of credit. The Airport subsequently renewed its revolving 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, 2018 and 2017, was \$242,159 and \$229,535, respectively, with a remaining balance of \$1,345,126 and \$1,587,285, respectively.

## Note 10—Capital contributions

For the years ended June 30, 2018 and 2017, the Airport recognized capital contributions primarily from the FAA totaling \$5,854,067 and \$11,936,179, respectively, in its statements of revenues, expenses, and changes in net position.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## 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, 2018:

2019	\$ 826,432
2020	714,894
2021	597,189
2022	521,987
2023	509,325
Thereafter	8,118,982
	<u>\$ 11,288,809</u>

The value of the leased property is as follows:

Buildings	\$ 1,716,635
Less accumulated depreciation	(263,071)
	<u>\$ 1,453,564</u>

## 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.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## 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 9.0% and 9.75% of their annual covered salary to the Plan for SCRS and PORS, respectively, and the Airport contributes 13.56% and 16.04% for SCRS and PORS, respectively, which is an actuarially determined rate. The Airport’s Plan-matching contribution in fiscal years 2018, 2017, and 2016 was approximately \$2,124,770, \$1,177,925, and \$833,525, respectively, and equaled the required contributions for those years.

The Airport reported a liability of \$15,243,794 and \$12,214,294 for its proportionate share of the net pension liability of SCRS and PORS as of June 30, 2018 and June 30, 2017, respectively. The net pension liability was measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Airport’s proportion of the net pension liability was based on its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Airport’s proportion was 0.053344% and 0.118090% of the total SCRS and PORS pension liability, respectively. At June 30, 2016, the Airport’s proportion was 0.043232% and 0.11749% of the total SCRS and PORS pension liability, respectively.

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

	2018		2017	
	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	\$ -	\$ 15,176	\$ -	\$ 23,293
Contributions subsequent to the measurement date	1,308,619	-	776,251	-
Difference in expected and actual experience in measurement of pension liability	3,226,295	-	1,553,431	-
	<u>\$ 4,534,914</u>	<u>\$ 15,176</u>	<u>\$ 2,329,682</u>	<u>\$ 23,293</u>

The Airport’s contributions of \$1,308,619 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Total pension expense for the years ended June 30, 2018 and June 30, 2017 was \$2,124,770 and \$1,177,925, respectively.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



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

The following schedule reflects the Airport's proportion of the amortization of the net balance of remaining deferred outflows / (inflows) of resources of the SCRS and PORS at the measurement date of June 30, 2018:

Measurement Period Ending June 30,	SCRS	PORS
2018	\$ (1,026,190)	\$ (73,564)
2019	(1,026,190)	(73,564)
2020	(1,020,233)	(72,514)
2021	56,507	24,629
Thereafter	-	-
Net Balance of Deferred (Outflows)/Inflows of Resources	\$ (3,016,106)	\$ (195,013)

*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.

*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.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return*	7.25%	7.25%
Projected salary increases (varies by service)	3.0% to 12.5%	3.5% to 9.5%
Benefit adjustment (annually)	Lesser of 1% or \$500	Lesser of 1% or \$500

\*includes inflation at 2.25%

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 mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety, Firefighters and members of the South Carolina National Guard	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



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

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

The RSIC has exclusive authority to invest and manage the retirement trust funds’ assets. As co-fiduciary of the SCRS, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation. For actuarial purposes for the years ended June 30, 2017 and 2016, the 7.25% and 7.50% assumed annual investment rate of return, respectively, used in the calculation of the total pension liability includes a 5.00% and 4.75% real rate of return, respectively, and a 2.25% and 2.75% inflation component, respectively. The target asset allocations and the long-term expected real rates of return are as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected Arithmetic Rate of Return</b>	<b>Long-term Expected Rate of Return</b>
Global public equity	31%	6.72%	2.08%
Private equity	9%	9.60%	0.86%
Equity Options Strategies	5%	5.91%	0.30%
Real estate (Private)	5%	4.32%	0.22%
Real estate (REITs)	2%	6.33%	0.13%
Infrastructure	1%	6.26%	0.06%
GTAA/Risk Parity	10%	4.16%	0.42%
Hedge Funds (non-PA)	4%	3.82%	0.15%
Other Opportunistic Strategies	3%	4.16%	0.12%
Mixed credit	6%	3.92%	0.24%
Emerging markets debt	5%	5.01%	0.25%
Private debt	7%	4.37%	0.31%
Core fixed income	10%	1.60%	0.16%
Cash and short duration (net)	2%	0.92%	0.02%
Total expected rate of return	<u>100%</u>		<u>5.31%</u>
Inflation for actual purposes			<u>2.25%</u>
Total expected nominal return			<u>7.56%</u>

*Discount Rate* – The discount rate used to measure the total pension liability was 7.25% and 7.50% for the years ended June 30, 2017 and 2016, respectively. 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.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



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

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.

*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 7.25%, 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 (6.25%) or 1.00% higher (8.25%) than the current rate.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate as of:

	June 30, 2018		
	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase Rate (8.25%)
SCRS	\$ 15,477,426	\$ 12,008,619	\$ 9,903,825
PORS	\$ 4,368,064	\$ 3,235,174	\$ 2,342,764

	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

*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.

## Note 14—Postemployment benefits other than pensions

*Medical Postemployment Benefits* – The Airport provides medical and dental insurance benefits to its eligible retirees who have reached the age of 60 and have 10 years of service (the "OPEB Plan"). The benefits are provided through fully insured plans that are sponsored by a regional health insurance consortium. GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits ("OPEB") on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

As of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	133
Total participants covered by the OPEB Plan	<u>137</u>

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## Note 14—Postemployment benefits other than pensions (continued)

The Airport's total OPEB Plan liability at June 30, 2018 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date. The Airport's total OPEB Plan liability at June 30, 2017 was measured as of December 31, 2016, and was determined by an actuarial valuation as of that date.

The total OPEB Plan liability for each year was determined using the following actuarial assumptions and other inputs, except for the discount rate of 4%, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.31%
Ultimate Inflation Rate	5.00%
Healthcare Cost Trend Rates:	
Current Year Trend	(6.20%)
Second Year Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2026
Salary Increases	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of December 31, 2017. Mortality rates were based on the RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

The changes in the OPEB liability are as follows for the year ended June 30:

	2018	2017
OPEB Plan liability, beginning of year	\$ 607,570	\$ 273,197
Changes for the year:		
Service cost	53,468	22,432
Interest	19,455	10,488
Changes of benefit terms	-	-
Assumption changes and difference between actual and expected experience	19,464	259,178
Change in actuarial cost method	-	64,269
Benefit payments	(39,619)	(21,994)
OPEB Plan Liability, end of year	\$ 660,338	\$ 607,570

The *Sensitivity of Total OPEB Liability to Change in Discount Rate and Healthcare Trend Rate* – OPEB Plan's liability at June 30, 2018 was prepared using a discount rate of 3.31%, as compared to a 4% rate applied for the Plan's liability at June 30, 2017. If the discount rate were 1% higher than what was used in this valuation, the OPEB Plan liability would decrease to \$611,528 or by 7.39%. If the discount rate were 1% lower than was used in this valuation, the OPEB Plan liability would increase to \$712,801 or by 7.96%.

	Discount Rate		
	1.00% Decrease	Baseline 3.31%	1.00% Increase
OPEB Plan	\$ 712,901	\$ 660,338	\$ 611,528

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## Note 14—Postemployment benefits other than pensions (continued)

The June 30, 2018 OPEB Plan liability was prepared using an initial trend rate of 6.2%. If the trend rate were 1% higher than what was used in this valuation, the OPEB Plan liability would increase to \$738,573 or by 11.85%. If the trend rate were 1% lower than was used in this valuation, the OPEB Plan liability would decrease to \$593,542 or by 10.12%.

	Healthcare Cost Trend Rate		
	1.00% Decrease	Baseline 6.20%	1.00% Increase
OPEB Plan	\$ 593,542	\$ 660,338	\$ 738,573

For the year ended June 30, 2018, the Airport recognized an OPEB Plan expense of \$122,784. At June 30, 2018 the Airport reported deferred outflows and inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Increase in June 30, 2018 OPEB Plan liability due to actuarial experience different from expected and actuarial assumption changes	\$ 259,178	\$ -
Changes in assumptions or other inputs	-	-
	<u>\$ 259,178</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan will be recognized in OPEB expense for the year ended June 30, as follows:

2018	\$ 49,861
2019	49,861
2020	49,861
2021	49,861
2022	49,861
Thereafter	9,873
	<u>\$ 259,178</u>

*401(k) and 457 Plans* – 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, 2018 and 2017 was \$151,718 and \$154,419, respectively.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



## **Note 15—Restatement for Implementation of an Accounting Pronouncement**

The Airport implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the Airport to record the effects of the implementation. As a result, beginning unrestricted net position for the Airport decreased by \$149,594 and long-term employee benefits liability increased by \$149,594 as of July 1, 2016.

## **Note 16—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, 2018 and 2017. These funds are to be used by the Airport to either prepay their 2001 revenue bonds or to fund additional improvements to the rental car facilities at the Airport.

## **Note 17—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,
- Police professional liability, 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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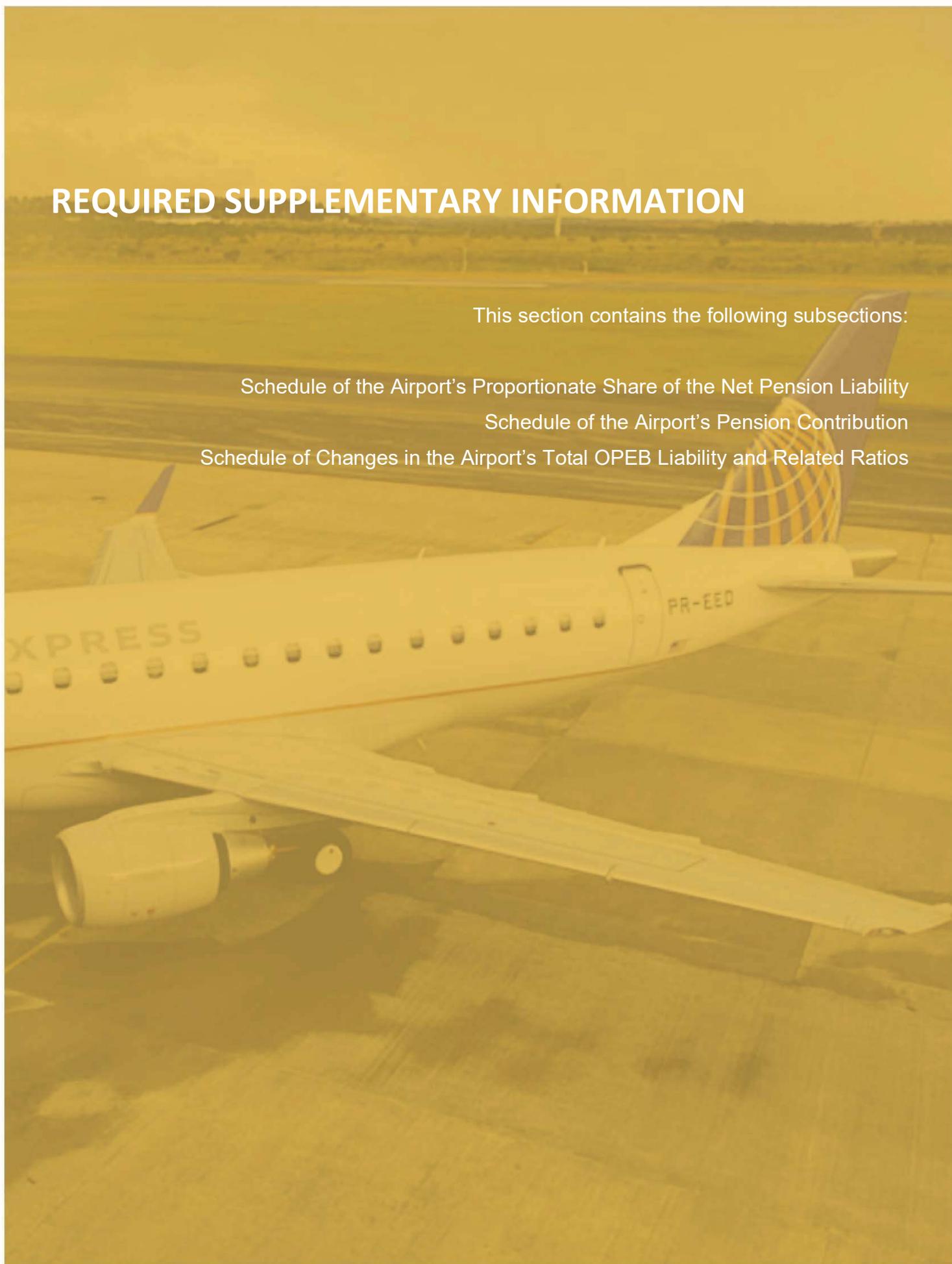
## REQUIRED SUPPLEMENTARY INFORMATION

This section contains the following subsections:

Schedule of the Airport's Proportionate Share of the Net Pension Liability

Schedule of the Airport's Pension Contribution

Schedule of Changes in the Airport's Total OPEB Liability and Related Ratios



**GREENVILLE-SPARTANBURG AIRPORT DISTRICT**  
**SCHEDULE OF THE AIRPORT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**

*JUNE 30, 2018*



<b>Fiscal Year</b>	<b>Airport's Proportion of Net Pension Liability</b>	<b>Airport's Proportionate Share of the Net Pension Liability</b>	<b>Airport's Covered Payroll</b>	<b>Airport's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
<b>South Carolina Retirement System</b>					
2017	0.053344%	\$ 12,008,619	\$ 8,866,048	135.4%	53.3%
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%
<b>Police Officers Retirement System</b>					
2017	0.118090%	\$ 3,235,174	\$ 8,866,048	36.5%	60.9%
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 for which information is available.

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

JUNE 30, 2018



<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Airport's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
<b>South Carolina Retirement System</b>					
2018	\$ 901,877	\$ 901,877	\$ -	\$ 8,866,048	10.2%
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%
<b>Police Officers Retirement System</b>					
2018	\$ 267,445	\$ 267,445	\$ -	\$ 8,866,048	3.0%
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 for which information is available.

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT**  
**SCHEDULE OF CHANGES IN THE AIRPORT'S TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**

*JUNE 30, 2018*



	<u>2018</u>	<u>2017</u>
Service cost	\$ 53,468	\$ 22,432
Interest	19,455	10,488
Changes of benefit terms	-	-
Differences between expected and actual experience	19,464	259,178
Change of assumptions or other inputs	-	64,269
Benefit payments	<u>(39,619)</u>	<u>(21,994)</u>
Net change in total OPEB Plan liability	52,768	334,373
Total OPEB Plan liability, beginning of year	<u>607,570</u>	<u>273,197</u>
Total OPEB Plan liability, end of year	<u>\$ 660,338</u>	<u>\$ 607,570</u>
Covered payroll	\$ 6,908,993	\$ 6,773,523
Total OPEB Plan liability as a % of covered payroll	9.56%	8.97%

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

**Notes to Schedule**

*Changes of Benefit Terms* – No changes occurred to the terms of benefits available to eligible retirees in 2017 and 2018.

*Changes of Assumptions* – Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.31%
2017	4.00%

*Plan Assets* – The Airport operates the OPEB Plan on a pay-as-you-go basis and as such, no assets are pre-funded for retiree health benefits. Therefore at all times the net assets available for plan benefits is zero.

## STATISTICAL SECTION

Statistical information differs from financial statements because it usually covers more than one fiscal year and may present non-accounting data.

Available financial trend data is presented to assist the reader in understanding the District's primary business activities and to identify emerging financial trends. Operational data further supports this.

Special attention is placed on operating revenues, operating expenses, and related indicators. Readers may be interested in the District's debt burden as it provides some insight as to the ability of the District to finance major capital projects.

Finally, demographic, economic, and operating information is presented to further explain the interrelationship of key indicators in the Upstate with the activities of the District.

This section contains the following subsections:

Airport Specific Statistics  
Upstate Area Local Economy Statistics

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT OPERATING REVENUES ANALYSIS (000s)

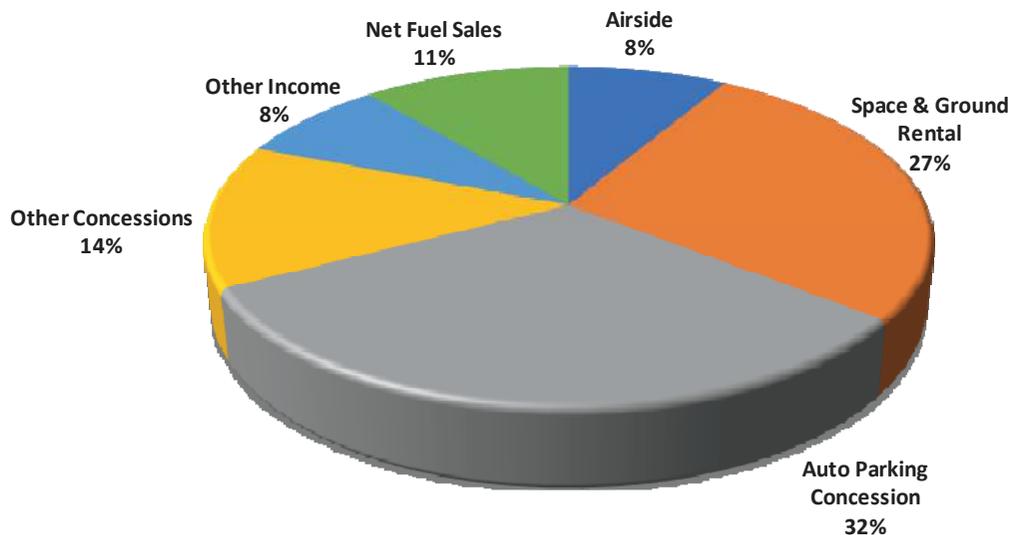
JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Operating revenues:</b>										
Airside	\$ 3,299	\$ 3,222	\$ 2,957	\$ 2,919	\$ 2,994	\$ 2,241	\$ 2,423	\$ 2,610	\$ 2,820	\$ 2,837
Space & Ground Rental	10,525	8,812	8,710	8,053	8,012	6,527	5,932	6,112	6,222	6,679
Auto Parking Concession	12,262	11,799	9,773	9,176	8,684	8,468	8,482	7,132	6,040	6,077
Other Concessions	5,255	4,515	4,405	4,167	3,913	3,915	3,719	3,449	3,178	3,127
Commercial Ground Transportation	123	147	151	150	171	190	178	30	26	27
Expense Reimbursement	1,590	1,268	1,273	1,112	1,024	668	531	558	461	573
Other Income	3,100	1,776	1,096	1,108	887	928	1,005	351	284	361
Net Fuel Sales	4,301	1,906								
<b>Total operating revenues</b>	<b>\$ 40,454</b>	<b>\$ 33,446</b>	<b>\$ 28,365</b>	<b>\$ 26,684</b>	<b>\$ 25,685</b>	<b>\$ 22,938</b>	<b>\$ 22,268</b>	<b>\$ 20,242</b>	<b>\$ 19,029</b>	<b>\$ 19,680</b>
Total enplanements	1,108	1,031	1,002	951	949	942	948	763	632	649
<b>Operating revenues per enplaned passenger</b>	<b>36.50</b>	<b>32.44</b>	<b>28.30</b>	<b>28.05</b>	<b>27.07</b>	<b>24.35</b>	<b>23.49</b>	<b>26.52</b>	<b>30.11</b>	<b>30.33</b>
<b>Concessions revenues per enplaned passenger</b>	<b>15.80</b>	<b>15.82</b>	<b>14.14</b>	<b>14.03</b>	<b>13.28</b>	<b>13.15</b>	<b>12.87</b>	<b>13.86</b>	<b>14.59</b>	<b>14.19</b>
<b>Parking revenue per space</b>	<b>\$ 2,648</b>	<b>\$ 2,548</b>	<b>\$ 2,111</b>	<b>\$ 1,982</b>	<b>\$ 1,876</b>	<b>\$ 1,829</b>	<b>\$ 1,832</b>	<b>\$ 1,540</b>	<b>\$ 1,304</b>	<b>\$ 1,312</b>

In early 2017, GSP opened Cerulean Aviation and joined the growing ranks of commercial airports that run their own fixed base operators (FBOs). The Airport also opted to provide cargo handling and ground support services for commercial charter flights. Cerulean Aviation continues to enhance customer service, make GSP more competitive, and increase revenue. In addition, beginning in fiscal year 2018, GSP adopted a new space rental methodology whereby the majority of airline space rent is charged on a per turn basis. Previously, airline revenue was received using a per square foot rate method for leased terminal space. Going forward, airline revenue is received on a per turn basis from airlines based on a combination of factors including aircraft class and utilization of ticket counter use. This change in methodology results in changes to operating revenues that mostly affect Space/Ground Rental, Other Concessions, and Other Income.

## 2018 OPERATING REVENUES



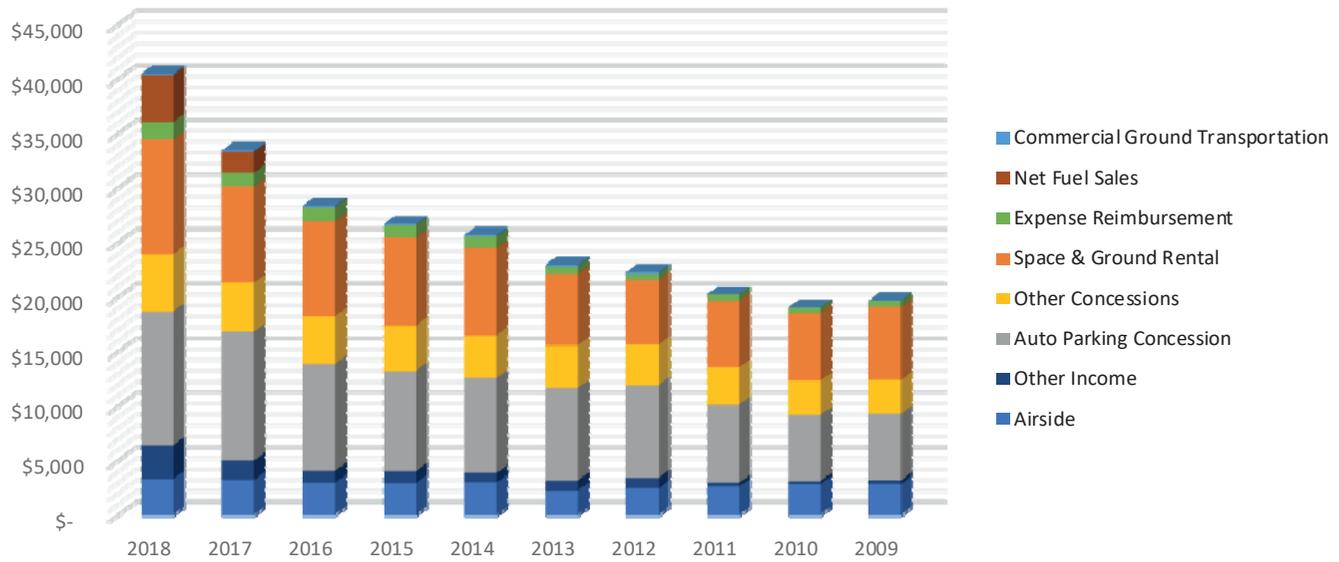
Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT OPERATING REVENUES ANALYSIS (000s) (CONTINUED)

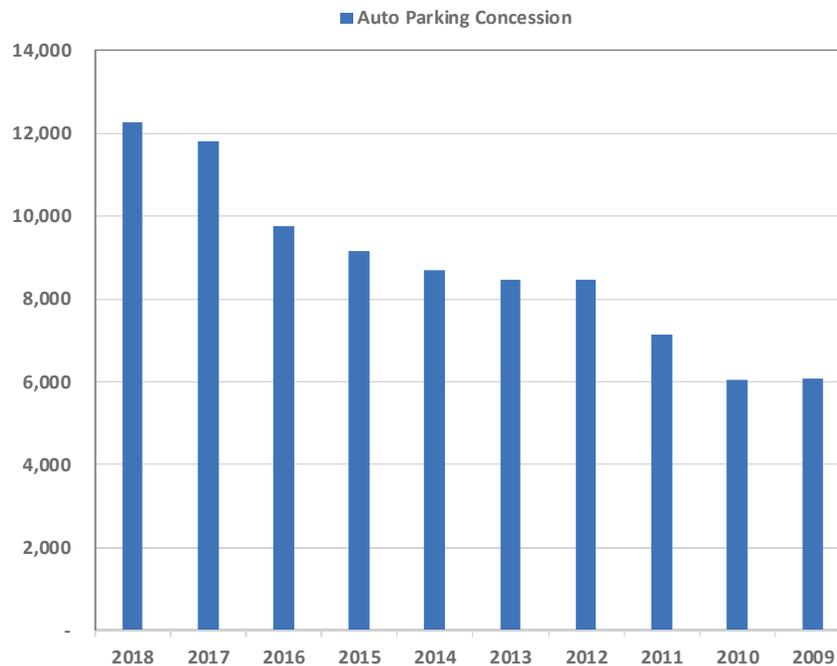
JUNE 30, 2018



## OPERATING REVENUES



## PUBLIC PARKING ANALYSIS



Operating revenues have increased 109.0% since 2009. Enplanements increased 70.9% to 1,108,429 compared to 648,762 ten years ago. Parking revenue increased \$6,303,417 since 2009. The parking spaces are broken into Garage A: 1,100; Garage B: 1,532; Daily Lot: 375; Economy: 1,562; and Valet: 160. Parking continues to be the District's highest individual revenue source.

Source: Greenville-Spartanburg Airport District Records

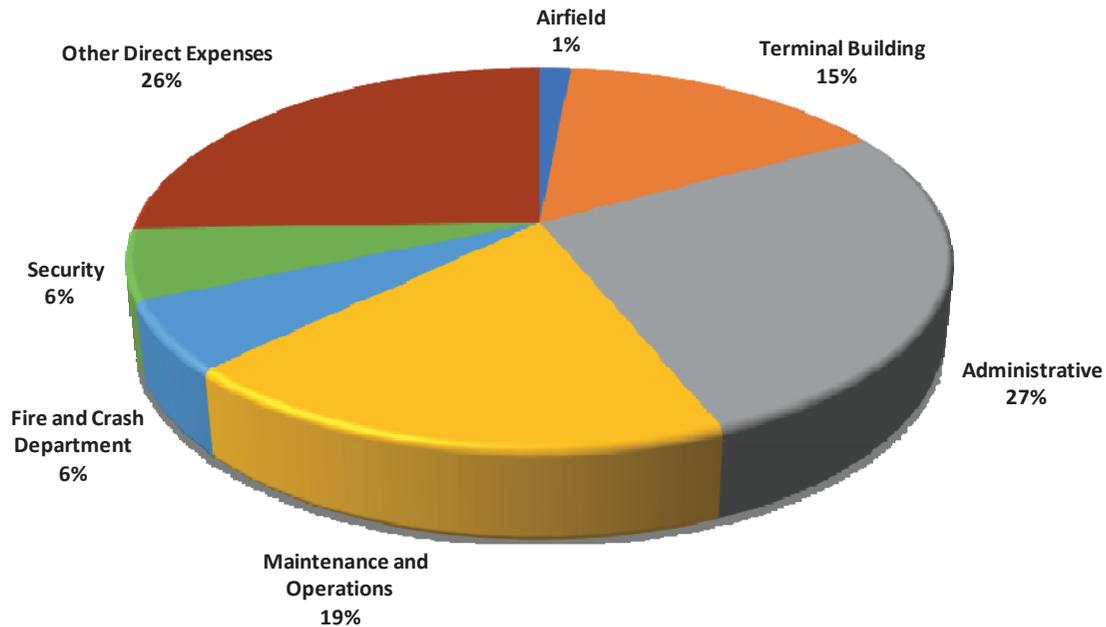
# GREENVILLE-SPARTANBURG AIRPORT DISTRICT OPERATING EXPENSES ANALYSIS (000s)

JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Operating expenses before loss on disposal of assets and depreciation:</b>										
Airfield	\$ 308	\$ 260	\$ 293	\$ 223	\$ 274	\$ 27	\$ 260	\$ 289	\$ 604	\$ 329
Terminal Building	3,244	2,371	2,305	2,219	1,726	1,782	1,845	2,025	2,048	1,918
Administrative	5,612	6,646	5,035	4,787	4,120	3,817	3,425	3,671	2,960	2,178
Maintenance and Operations	3,941	3,328	3,081	3,178	3,105	2,974	2,676	2,376	2,295	1,751
Fire and Crash Department	1,220	1,155	1,045	1,106	1,041	1,007	951	1,057	992	935
Security	1,233	1,216	1,126	1,242	1,160	1,022	931	972	1,074	1,103
Other Direct Expenses	5,334	4,062	1,957	1,871	1,654	1,660	1,671	1,691	1,277	1,104
<b>Total operating expenses before loss on disposal of assets and depreciation</b>	<b>\$ 20,892</b>	<b>\$ 19,038</b>	<b>\$ 14,842</b>	<b>\$ 14,626</b>	<b>\$ 13,079</b>	<b>\$ 12,289</b>	<b>\$ 11,759</b>	<b>\$ 12,081</b>	<b>\$ 11,249</b>	<b>\$ 9,318</b>

## 2018 OPERATING EXPENSES BEFORE DEPRECIATION



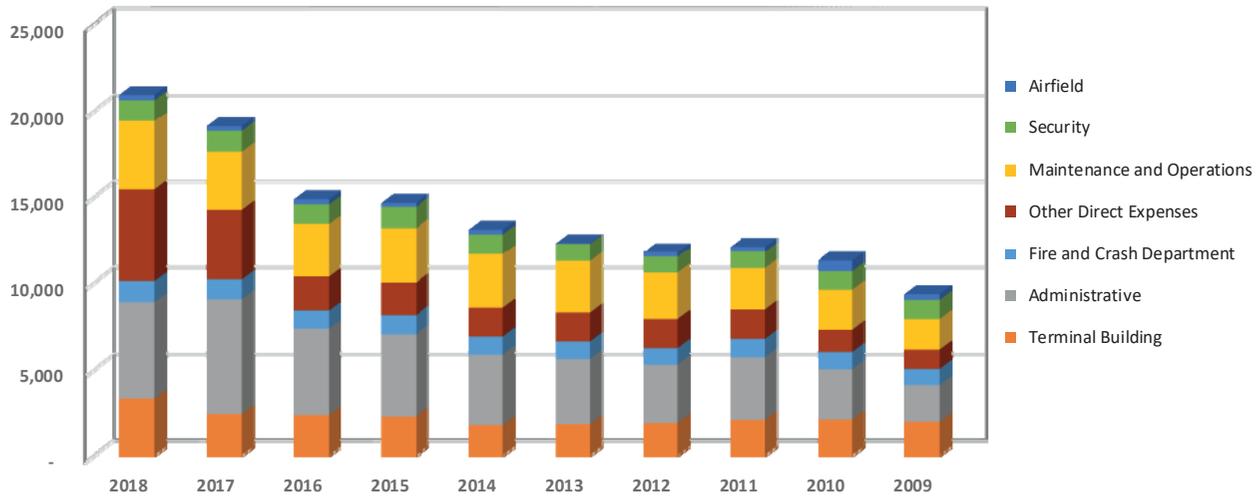
Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT OPERATING EXPENSES ANALYSIS (000s) (CONTINUED)

JUNE 30, 2018



## OPERATING EXPENSES BEFORE DEPRECIATION



Operating expenses have increased 128.6% since 2009. As noted earlier in early 2017, GSP opened Cerulean Aviation to run their own fixed base operators (FBOs), which has resulted in increased operating expenses. In addition, pension expense methodology was changed beginning fiscal year 2017 based on GASB rulings about reporting employer contribution requirements. Furthermore, beginning fiscal year 2018, the state pension contribution percentage was raised, which resulted in an increase to operating expenses.

Source: Greenville-Spartanburg Airport District Records

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# GREENVILLE-SPARTANBURG AIRPORT DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ANALYSIS (000s)

JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Operating revenues:</b>										
Airside	\$ 3,299	\$ 3,222	\$ 2,957	\$ 2,919	\$ 2,994	\$ 2,241	\$ 2,423	\$ 2,610	\$ 2,820	\$ 2,837
Space and ground rental	10,525	8,812	8,710	8,053	8,012	6,527	5,932	6,112	6,222	6,679
Auto parking concessions	12,262	11,799	9,773	9,176	8,684	8,468	8,482	7,132	6,040	6,077
Other concessions	5,255	4,515	4,405	4,167	3,913	3,915	3,719	3,449	3,178	3,127
Commercial ground transportation	123	147	151	150	171	190	178	30	26	27
Expense reimbursement	1,590	1,268	1,273	1,112	1,024	668	531	558	461	573
Other income	3,100	1,776	1,096	1,108	887	928	1,005	351	284	361
Operating revenues before fuel sales	36,153	31,539	28,365	26,684	25,685	22,938	22,268	20,242	19,029	19,680
<b>Gross profit on fuel sales:</b>										
Fuel sales	5,898	2,318	-	-	-	-	-	-	-	-
Cost of goods sold	(1,597)	(411)	-	-	-	-	-	-	-	-
Fuel sales - net	4,301	1,906	-	-	-	-	-	-	-	-
Total operating revenues	40,454	33,446	28,365	26,684	25,685	22,938	22,268	20,242	19,029	19,680
<b>Operating expenses before loss on disposal of assets and depreciation:</b>										
Airfield	308	260	293	223	274	27	260	289	604	329
Terminal building	3,244	2,371	2,305	2,219	1,726	1,782	1,845	2,025	2,048	1,918
Administrative	5,612	6,646	5,035	4,787	4,120	3,817	3,425	3,671	2,960	2,178
Maintenance and operations	3,941	3,328	3,081	3,178	3,105	2,974	2,676	2,376	2,295	1,751
Fire and crash department	1,220	1,155	1,045	1,106	1,041	1,007	951	1,057	992	935
Security	1,233	1,216	1,126	1,242	1,160	1,022	931	972	1,074	1,103
Other direct expenses	5,334	4,062	1,957	1,871	1,654	1,660	1,671	1,691	1,277	1,104
Total operating expenses before loss on disposal of assets and depreciation	20,892	19,038	14,842	14,626	13,079	12,289	11,759	12,081	11,249	9,318
Operating income before loss on disposal of assets and depreciation	19,562	14,408	13,522	12,058	12,606	10,649	10,509	8,161	7,780	10,362
Net Loss on disposal of assets	-	4	195	490	2,027	60	182	145	1,908	442
Pension	2,125	1,178	834							
Depreciation	11,804	10,846	10,129	9,726	10,051	9,658	9,240	8,809	8,579	8,378
Operating income	5,633	2,380	2,364	1,843	527	931	1,087	(793)	(2,708)	1,541
<b>Nonoperating revenues (expenses):</b>										
Contract facility charges	986	1,154	1,027	857	318	1,514	1,523	1,066	831	574
Interest on accounts	134	53	43	23	56	111	83	480	1,501	2,282
Change in fair value of investments	10	2	2	8	(1)	9	(43)	(423)	(1,178)	210
Gain on proceeds from insurance settlement	536	-	-	-	-	-	-	-	-	-
Interest and other financing costs- net	(197)	(156)	(155)	(176)	(195)	(277)	(301)	(617)	(848)	(895)
Nonoperating revenues - net	1,468	1,054	916	712	179	1,357	1,262	507	306	2,171
Income before capital contributions	7,102	3,433	3,281	2,554	706	2,288	2,349	(286)	(2,402)	3,712
Capital contributions	5,854	11,936	3,341	6,524	8,191	4,631	2,707	4,187	10,347	4,051
Increase in net position	12,956	15,369	6,622	9,078	8,897	6,919	5,057	3,901	7,945	7,763
Cumulative effect of change in accounting principle	-	-	-	(9,216)	-	-	-	-	-	-
Change in net position	12,956	15,369	6,622	(137)	8,897	6,919	5,057	3,901	7,945	7,763
<b>Net position:</b>										
Beginning of year	241,156	225,936	219,314	219,451	210,554	203,636	198,579	194,678	186,734	178,971
Cumulative effect of change in accounting principle	-	(150)	-	-	-	-	-	-	-	-
Beginning of year, restated	241,156	225,786	219,314	219,451	210,554	203,636	198,579	194,678	186,734	178,971
End of year	\$ 254,112	\$ 241,156	\$ 225,936	\$ 219,314	\$ 219,451	\$ 210,554	\$ 203,636	\$ 198,579	\$ 194,678	\$ 186,734

Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT STATEMENTS OF NET POSITION ANALYSIS (000s)

JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>ASSETS</b>										
Current assets:										
Cash	\$ 11,854	\$ 6,291	\$ 2,805	\$ 9,621	\$ 14,518	\$ 5,809	\$ 4,969	\$ 6,043	\$ 2,631	\$ 1,748
Receivables	2,537	3,339	3,851	624	583	3,089	465	733	938	2,436
Inventories and prepaid insurance	566	479	1,056	438	512	308	428	354	343	277
Investments	9,996	9,996	16,864	36,262	46,517	73,383	82,471	81,997	84,202	50,658
Notes receivable- current portion	255	242	230	218	206	195	185	176	166	158
Total Current assets	25,209	20,347	24,807	47,163	62,336	82,785	88,519	89,303	88,281	55,278
Restricted assets:										
Cash	2,744	1,865	-	598	-	-	403	182	196	239
Receivables	292	280	246	239	226	215	220	208	190	146
Investments - held by Trustee	422	407	398	383	377	366	354	1,116	2,970	2,978
Total restricted assets	3,458	2,552	644	1,220	603	581	977	1,506	3,356	3,362
Notes receivable - net of current portion	1,090	1,345	1,587	1,817	2,034	2,241	2,436	2,621	2,797	2,963
Noncurrent investments										27,170
Deferred bond financing costs-net	-	-	-	-	-	-	64	116	228	262
Capital assets - at cost:										
Land	41,074	41,074	41,074	41,074	38,910	40,534	40,113	37,784	37,784	37,784
Buildings & equipment	258,771	248,438	187,341	182,061	109,449	137,565	127,210	128,749	122,827	119,389
Runways	78,757	71,811	65,206	60,790	68,012	67,847	70,121	70,121	70,156	76,462
Construction-in-progress	19,820	12,173	48,910	20,890	62,776	22,048	7,238	656	2,390	2,246
Total Capital Assets	398,422	373,496	342,531	304,815	279,147	267,995	244,682	237,311	233,155	235,881
Less accumulated depreciation	(147,569)	(135,809)	(125,933)	(116,071)	(114,066)	(131,307)	(122,897)	(119,893)	(112,183)	(116,581)
Capital Assets - net	250,853	237,688	216,597	188,744	165,081	136,688	121,785	117,417	120,972	119,300
Total Assets	\$ 280,610	\$ 261,932	\$ 243,635	\$ 238,944	\$ 230,055	\$ 222,294	\$ 213,781	\$ 210,965	\$ 215,634	\$ 208,336
Deferred Outflows of Resources:										
Deferred outflow related to State Pension	\$ 4,535	\$ 2,330	\$ 972	\$ 887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred outflow related to OPEB	259	-	-	-	-	-	-	-	-	-
Total deferred outflows	\$ 4,794	\$ 2,330	\$ 972	\$ 887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>LIABILITIES</b>										
Current liabilities:										
Payable from unrestricted assets:										
Accounts payable and accrued liabilities	\$ 4,484	\$ 4,059	\$ 3,191	\$ 4,852	\$ 4,608	\$ 5,314	\$ 3,317	\$ 1,623	\$ 1,213	\$ 1,421
LOC draw down	7,194	2,164	-	-	-	-	-	-	-	-
Unearned credits - unearned portion	255	242	230	218	206	195	185	176	166	1,579
Total payable from unrestricted assets	11,933	6,466	3,421	5,069	4,815	5,509	3,502	1,799	1,380	3,001
Payable from restricted assets:										
Accrued interest payable	55	67	78	88	97	106	114	204	433	457
Revenue bonds- current portion	365	340	320	295	280	260	240	475	1,025	980
Total payable from restricted assets	420	407	398	383	377	366	354	679	1,458	1,437
Total current liabilities	12,354	6,872	3,819	5,452	5,192	5,875	3,857	2,478	2,838	4,438
Unearned credits	1,090	1,345	1,587	1,817	2,034	2,241	2,436	2,621	2,797	2,963
Long term employee benefits	1,335	1,031	827	803	802	769	738	725	717	-
SCRS pension liability	15,244	12,214	10,446	9,311	-	-	-	-	-	-
Revenue bonds payable- net of current portion	1,255	1,620	1,960	2,280	2,575	2,855	3,115	6,560	14,604	15,622
Total Liabilities	\$ 31,277	\$ 23,083	\$ 18,640	\$ 19,663	\$ 10,604	\$ 11,740	\$ 10,146	\$ 12,385	\$ 20,956	\$ 23,023
Deferred Inflow Related to State Pension	\$ 15	\$ 23	\$ 32	\$ 854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET POSITION</b>										
Net investment in capital assets	\$ 240,693	\$ 231,976	\$ 212,500	\$ 185,952	\$ 162,020	\$ 133,378	\$ 115,873	\$ 106,976	\$ 102,608	\$ 99,838
Restricted:										
Held by trustee	367	340	320	295	280	260	240	911	2,537	2,521
Contract facility charges	2,158	2,146	2,111	2,100	1,651	1,477	623	390	386	385
Total restricted	2,525	2,486	2,431	2,395	1,931	1,737	863	1,302	2,923	2,905
Unrestricted	10,894	6,694	11,004	30,967	55,500	75,440	86,900	90,301	89,148	83,990
Total Net Position	\$ 254,112	\$ 241,156	\$ 225,936	\$ 219,314	\$ 219,451	\$ 210,554	\$ 203,636	\$ 198,579	\$ 194,678	\$ 186,734

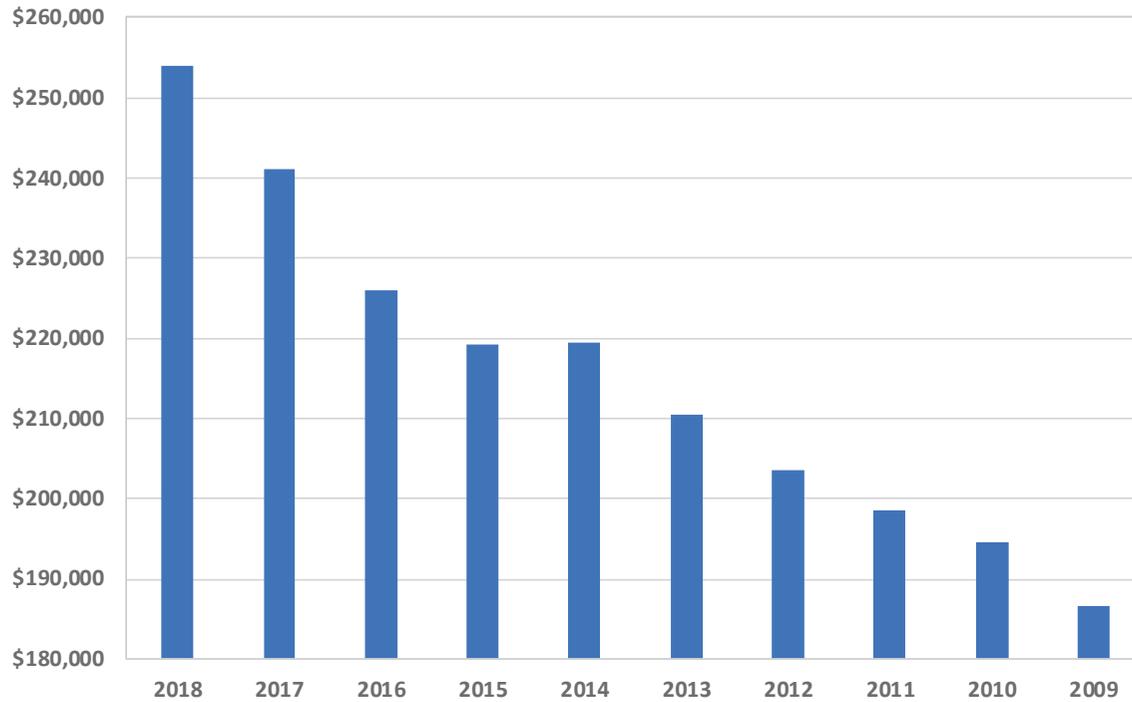
Source: Greenville-Spartanburg Airport District Records

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT  
STATEMENTS OF NET POSITION ANALYSIS (000s) (CONTINUED)**

*JUNE 30, 2018*



**NET POSITION (000s)**



*Source: Greenville-Spartanburg Airport District Records*

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT GROSS MARGIN ANALYSIS (000s)

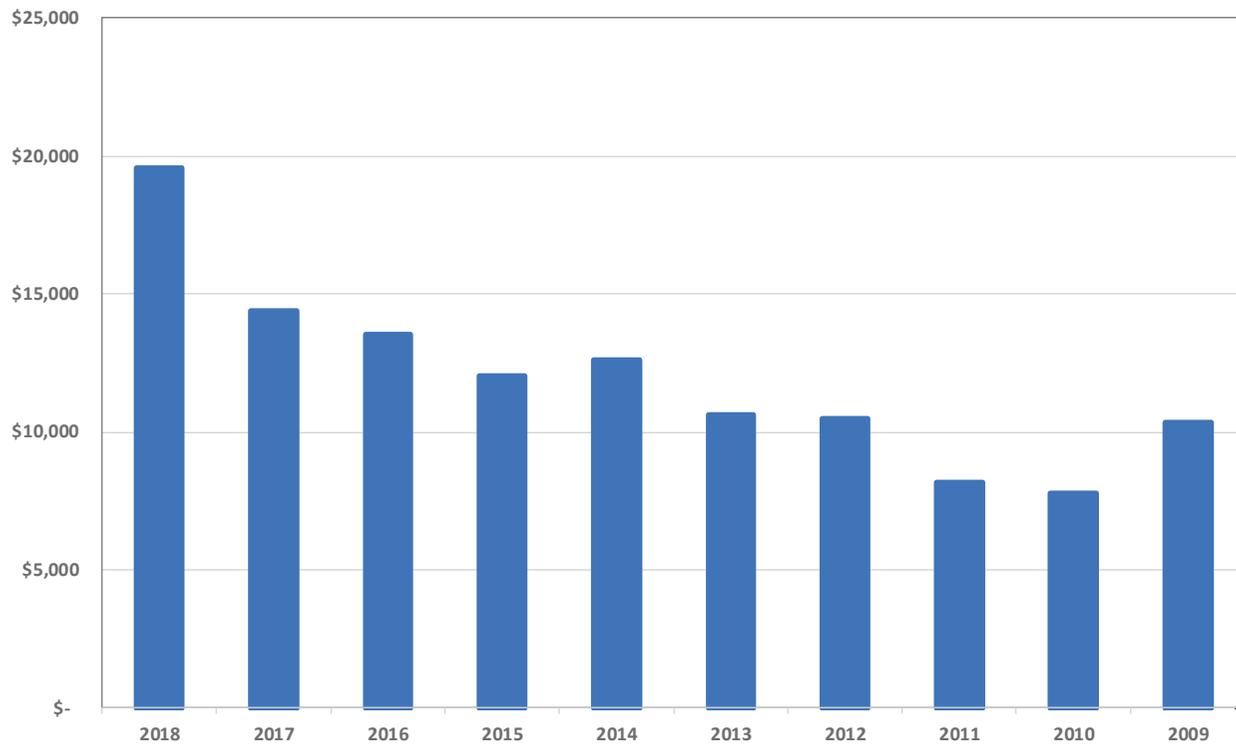
JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues	\$ 40,454	\$ 33,446	\$ 28,365	\$ 26,684	\$ 25,685	\$ 22,938	\$ 22,268	\$ 20,242	\$ 19,029	\$ 19,680
Operating expenses	\$ 20,892	\$ 19,038	\$ 14,842	\$ 14,626	\$ 13,079	\$ 12,289	\$ 11,759	\$ 12,081	\$ 11,249	\$ 9,318
Gross margin (\$)	\$ 19,562	\$ 14,408	\$ 13,522	\$ 12,058	\$ 12,606	\$ 10,649	\$ 10,509	\$ 8,161	\$ 7,780	\$ 10,362
Gross margin (%) *	48.4%	43.1%	47.7%	45.2%	49.1%	46.4%	47.2%	40.3%	40.9%	52.7%

\*Excludes Depreciation Expense

## GROSS MARGIN (000s)



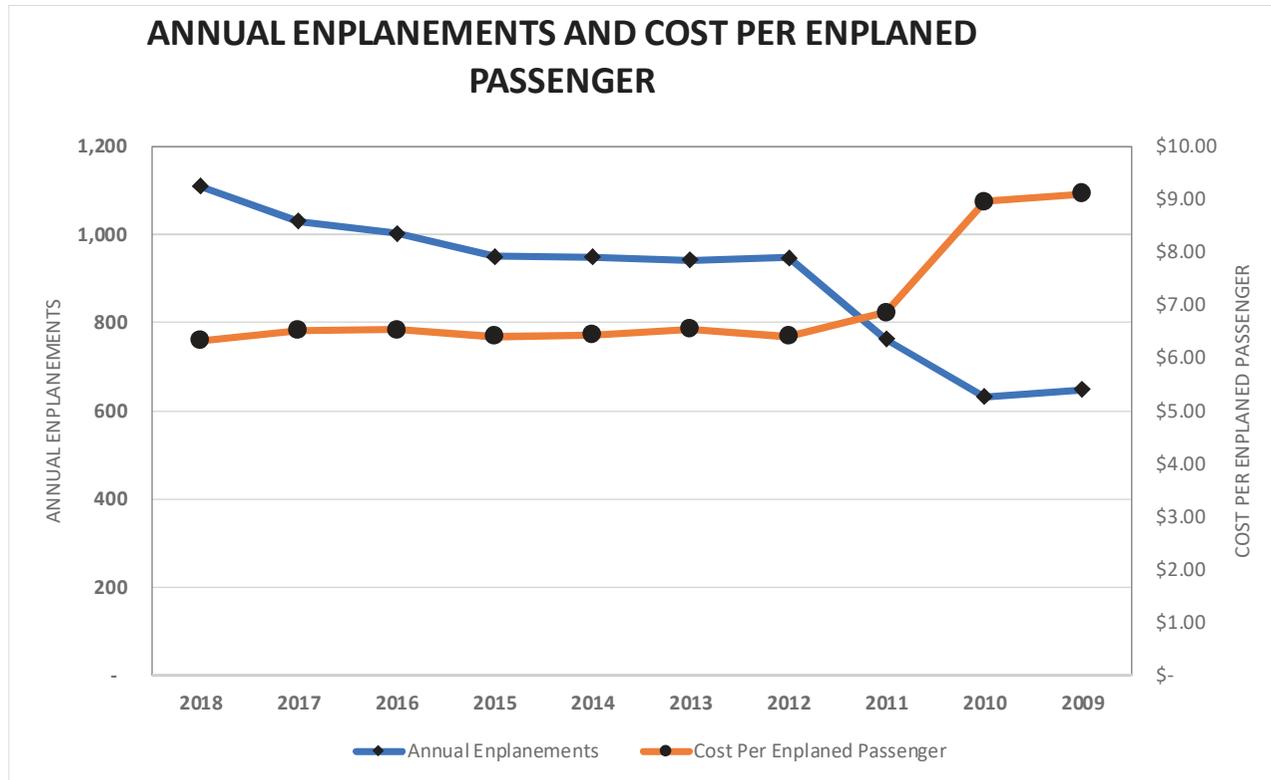
Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT COST PER ENPLANEMENT (CPE) ANALYSIS (000s)

JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual Enplanements	1,108	1,031	1,002	951	949	942	948	763	632	649
Landing Fees	\$ 2,086	\$ 2,127	\$ 2,031	\$ 1,956	\$ 2,070	\$ 1,842	\$ 2,235	\$ 1,815	\$ 1,972	\$ 1,869
Terminal Rent	1,241	3,692	3,747	3,432	3,346	3,653	3,419	3,034	3,333	3,654
Apron Fees & Aircraft Parking	62	236	197	207	180	147	157	112	127	129
Passenger Boarding Bridge	-	317	316	280	332	332	113	85	126	253
Shared Tenant Services	48	63	46	46	36	2	-	-	-	-
Security Fees	230	-	-	-	-	-	-	-	-	-
Refuse	-	3	4	4	4	4	4	4	3	4
Triturator	7	6	6	6	6	10	4	3	2	3
Per Turn Fees	3,271	271	205	169	130	174	141	183	98	-
CUSS Ticketing Stock	48	-	-	-	-	-	-	-	-	-
Share Use Equipment	20	-	-	-	-	-	-	-	-	-
Utility Reimbursement	-	-	-	-	-	-	-	-	-	-
Total Airline Cost	\$ 7,014	\$ 6,716	\$ 6,552	\$ 6,100	\$ 6,103	\$ 6,163	\$ 6,073	\$ 5,236	\$ 5,663	\$ 5,911
<b>Cost Per Enplaned Passenger</b>	<b>\$ 6.33</b>	<b>\$ 6.51</b>	<b>\$ 6.54</b>	<b>\$ 6.41</b>	<b>\$ 6.43</b>	<b>\$ 6.54</b>	<b>\$ 6.41</b>	<b>\$ 6.86</b>	<b>\$ 8.96</b>	<b>\$ 9.11</b>



Source: Greenville-Spartanburg Airport District Records

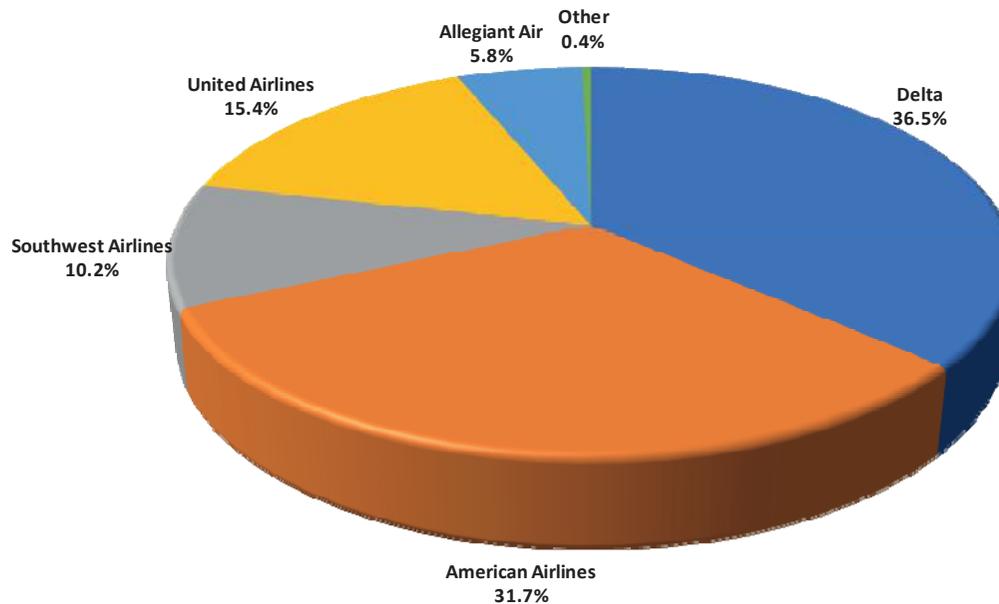
# GREENVILLE-SPARTANBURG AIRPORT DISTRICT OPERATING REVENUES, EXPENSES, AND GROSS MARGIN PER ENPLANEMENT ANALYSIS (000s)

JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenues Per Enplaned Passenger	\$ 36.50	\$ 32.44	\$ 28.30	\$ 28.05	\$ 27.07	\$ 24.35	\$ 23.49	\$ 26.52	\$ 30.11	\$ 30.33
Operating Expenses Per Enplaned Passenger	31.41	30.13	25.94	26.12	26.52	23.36	22.34	27.56	34.40	27.96
Gross Margin per Enplaned Passenger	\$ 5.08	\$ 2.31	\$ 2.36	\$ 1.94	\$ 0.56	\$ 0.99	\$ 1.15	\$ (1.04)	\$ (4.28)	\$ 2.38

## 2018 ENPLANEMENT MARKET SHARE



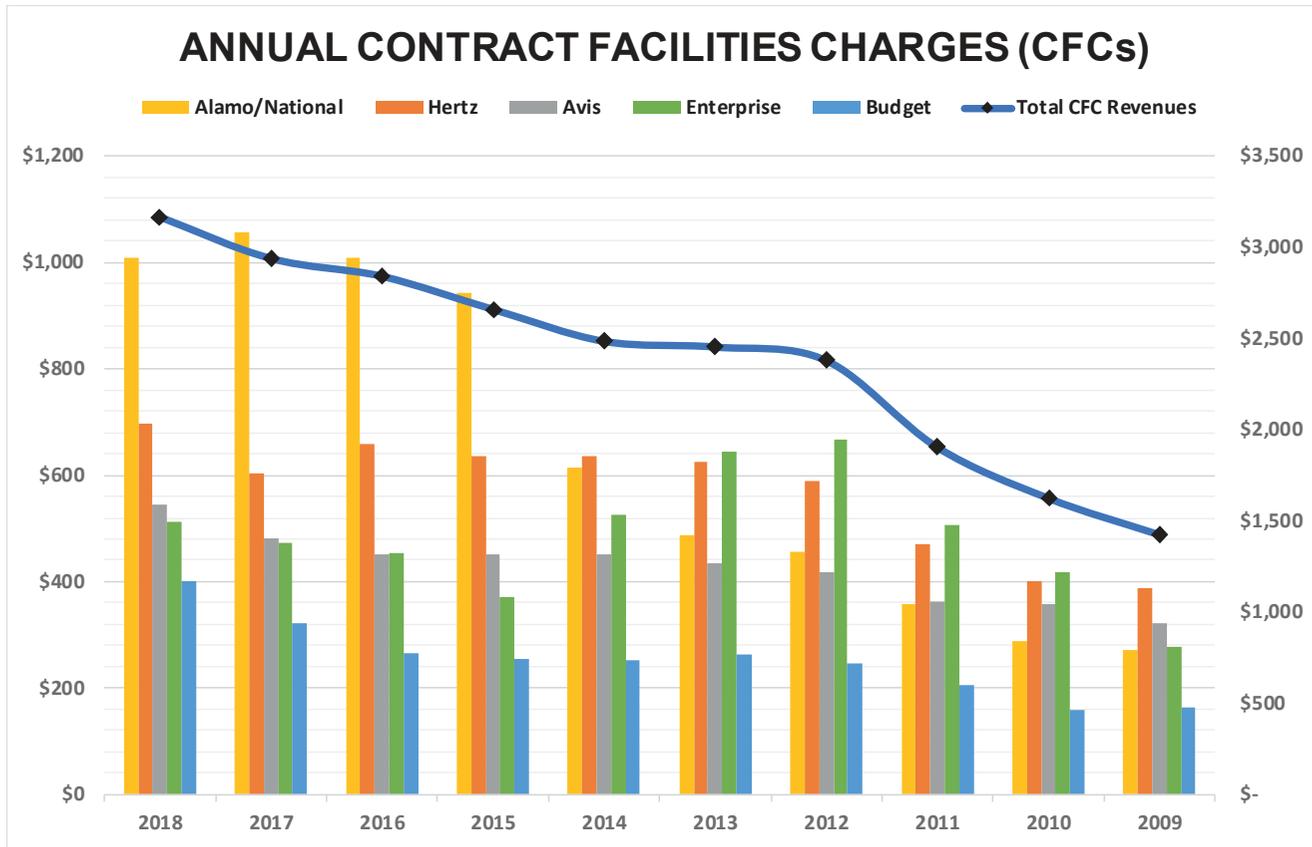
Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT CONTRACT FACILITY CHARGES (CFC) ANALYSIS (000s)



JUNE 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Hertz	\$ 698	\$ 603	\$ 658	\$ 637	\$ 637	\$ 624	\$ 588	\$ 469	\$ 401	\$ 389
Avis	544	482	451	450	450	434	417	363	356	322
Alamo/National	1,009	1,056	1,008	942	614	487	458	357	288	270
Budget	401	321	267	255	253	263	248	206	159	165
Enterprise	511	473	454	371	527	643	666	506	418	276
Thrifty	-	-	-	-	-	-	-	-	-	-
Total CFC Revenues	\$ 3,163	\$ 2,936	\$ 2,838	\$ 2,655	\$ 2,482	\$ 2,452	\$ 2,377	\$ 1,902	\$ 1,623	\$ 1,422



Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT DEBT SERVICE COVERAGE ANALYSIS (000s)

JUNE 30, 2018



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenue	\$ 40,454	\$ 33,446	\$ 28,365	\$ 26,684	\$ 25,685	\$ 22,938	\$ 22,268	\$ 20,242	\$ 19,029	\$ 19,680
Less operating expenses	20,892	19,038	14,842	14,626	13,079	12,289	11,759	12,081	11,249	9,318
Income from CFC	986	1,154	1,027	857	318	1,514	1,523	1,066	831	574
Investment income	134	53	43	23	56	111	83	480	1,501	2,282
Coverage cash flow	\$ 20,682	\$ 15,615	\$ 14,592	\$ 12,938	\$ 12,980	\$ 12,274	\$ 12,115	\$ 9,708	\$ 10,112	\$ 13,218
Total debt service	\$ 420	\$ 407	\$ 398	\$ 383	\$ 377	\$ 366	\$ 354	\$ 679	\$ 1,458	\$ 1,437
Debt service coverage	4921.42%	3838.16%	3668.77%	3379.70%	3439.67%	3351.63%	3418.38%	1428.84%	693.48%	919.93%

Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT CASH FLOW SUMMARY ACTIVITIES ANALYSIS (000s)

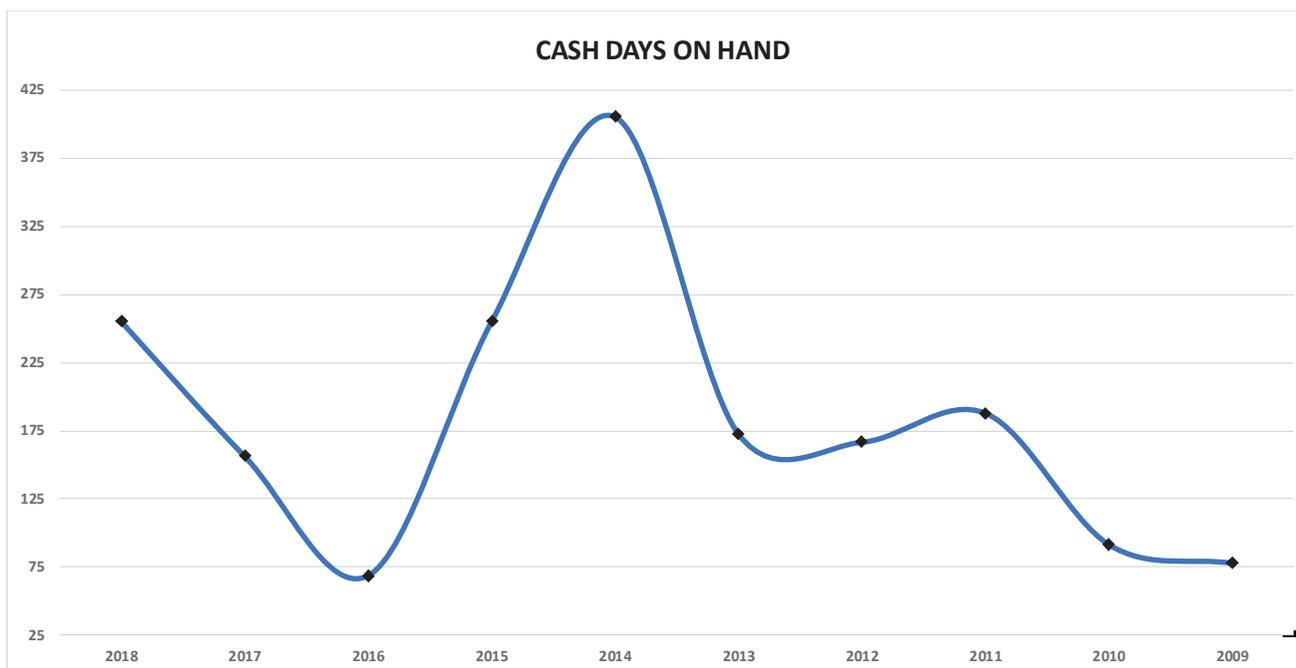
JUNE 30, 2018



**Cash flows provided by (used) in:**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating activities	\$ 19,437	\$ 15,643	\$ 7,436	\$ 12,398	\$ 16,281	\$ 10,230	\$ 12,417	\$ 8,283	\$ 9,005	\$ 9,694
Capital and related financing activities	\$ (13,140)	\$ (17,215)	\$ (34,292)	\$ (26,982)	\$ (34,494)	\$ (19,002)	\$ (12,836)	\$ (7,515)	\$ (2,353)	\$ (3,013)
Investing activities	\$ 143	\$ 6,924	\$ 19,442	\$ 10,286	\$ 26,921	\$ 9,208	\$ (434)	\$ 2,631	\$ (5,812)	\$ (7,753)
<b>Net increase (decrease) in cash:</b>	<b>\$ 6,441</b>	<b>\$ 5,352</b>	<b>\$ (7,414)</b>	<b>\$ (4,299)</b>	<b>\$ 8,708</b>	<b>\$ 437</b>	<b>\$ (852)</b>	<b>\$ 3,398</b>	<b>\$ 840</b>	<b>\$ (1,072)</b>
Beginning Year Cash	\$ 8,157	\$ 2,805	\$ 10,219	\$ 14,518	\$ 5,809	\$ 5,373	\$ 6,225	\$ 2,827	\$ 1,987	\$ 3,059
End of Year Cash	\$ 14,598	\$ 8,157	\$ 2,805	\$ 10,219	\$ 14,518	\$ 5,809	\$ 5,373	\$ 6,225	\$ 2,827	\$ 1,987
Cash Days on Hand	255	156	69	255	405	173	167	188	92	78

The cash days on hand is operating expenses adjusted for non-cash expense divided by 365 days. The ending cash balance does not include investments, which are highly liquid. The inclusion of the investments could significantly impact the cash days on hand.



Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT AIRCRAFT ACTIVITY AND WEIGHTS ANALYSIS

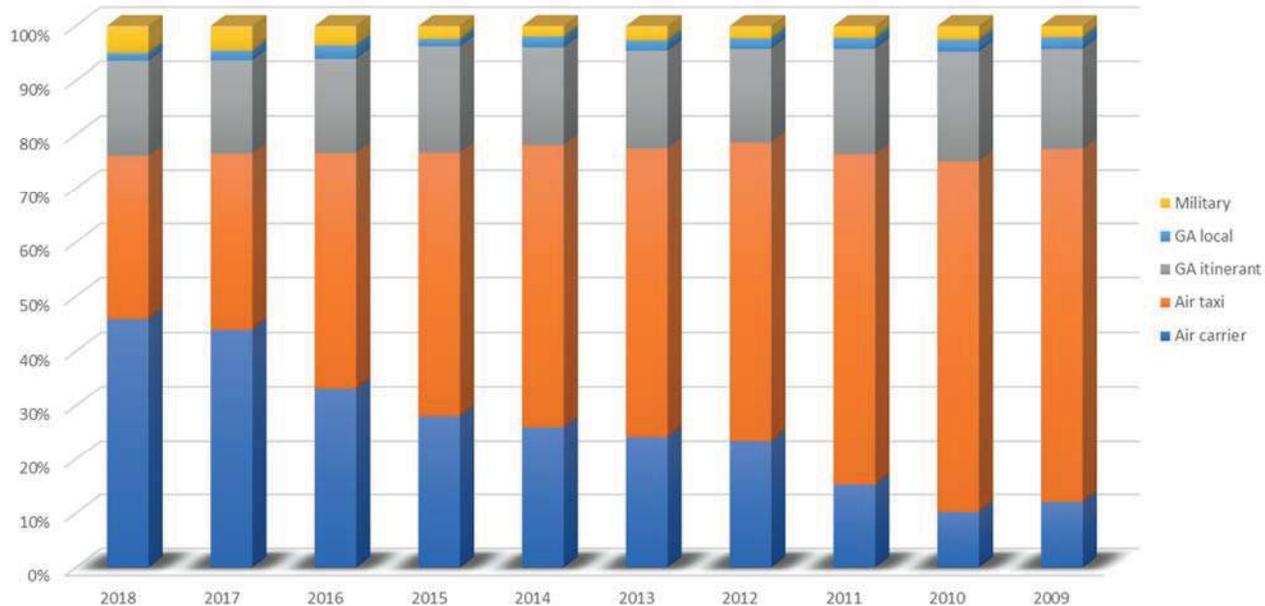


JUNE 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Aircraft Operations</b>										
Air carrier	21,801	19,370	14,875	12,440	11,802	11,704	11,754	7,278	4,714	6,179
Air taxi	14,425	14,343	19,510	21,592	23,618	25,751	27,561	29,097	29,869	33,341
GA itinerant	8,334	7,547	7,764	8,674	8,168	8,692	8,628	9,232	9,287	9,402
Military	2,377	2,012	1,601	1,078	893	1,289	1,147	1,050	1,160	1,064
GA local	674	787	1,135	597	903	932	972	966	1,032	1,122
<b>Aircraft Operations</b>	<b>47,611</b>	<b>44,059</b>	<b>44,885</b>	<b>44,381</b>	<b>45,384</b>	<b>48,368</b>	<b>50,062</b>	<b>47,623</b>	<b>46,062</b>	<b>51,108</b>
<b>Cargo (000s Pounds)</b>	<b>112,449</b>	<b>81,867</b>	<b>61,657</b>	<b>60,532</b>	<b>59,349</b>	<b>58,071</b>	<b>58,008</b>	<b>53,498</b>	<b>43,266</b>	<b>44,556</b>

Over the last ten years, airlines have steadily replaced smaller aircraft with larger and more efficient aircraft in the domestic system. During that time, scheduled passenger flights across the United States decreased 7% on average. GSP has benefited from this trend leading to a 27% increase in available seats from FY2009 to FY2018, despite a decrease of 14% in the number of scheduled operations.

## AIRPORT OPERATIONS



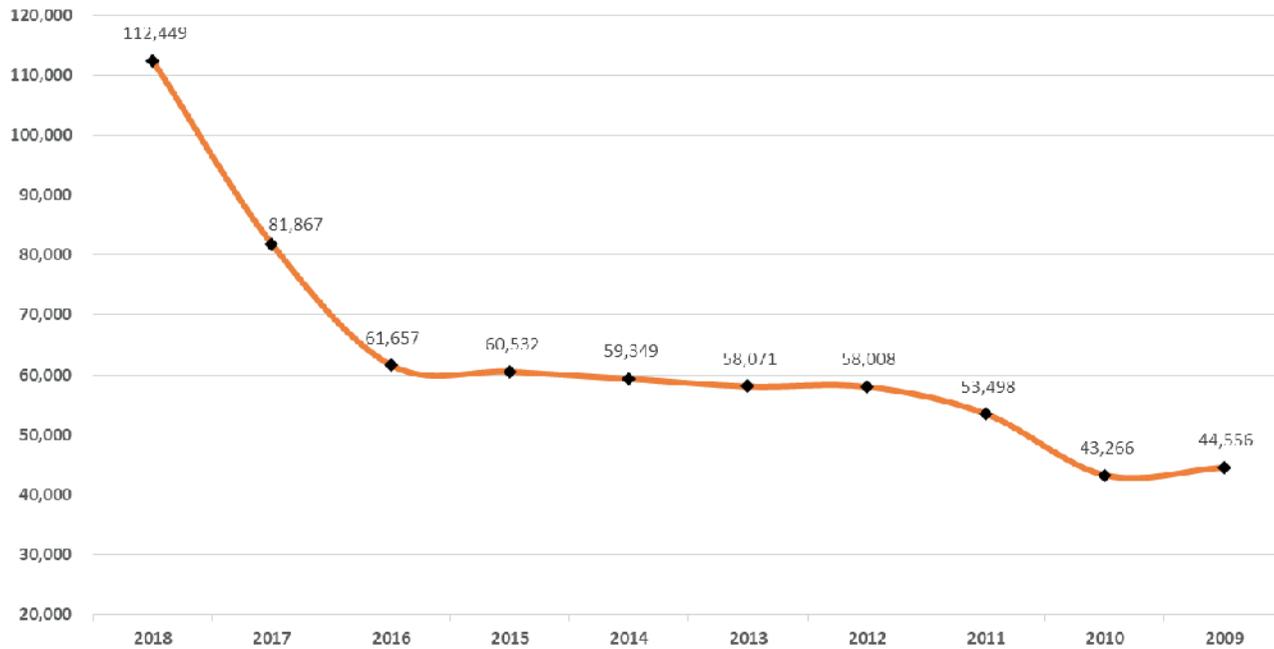
Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT CARGO OPERATIONS ANALYSIS (000s)

JUNE 30, 2018



## CARGO OPERATIONS



Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT EMPLOYEE ANALYSIS AND MAJOR AIRPORT TENANTS

JUNE 30, 2018



## Employee Analysis

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Full time	174.0	149.0	103.0	102.0	103.0	96.0	92.0	82.0	86.0	83.0
Part time <sup>1</sup>	31.0	34.7	34.5	31.1	31.0	31.0	31.0	31.0	31.0	31.0
<b>Total FTE</b>	<b>205.0</b>	<b>183.7</b>	<b>137.5</b>	<b>133.1</b>	<b>134.0</b>	<b>127.0</b>	<b>123.0</b>	<b>113.0</b>	<b>117.0</b>	<b>114.0</b>

<sup>1</sup>Part time employees include seasonal employees for all years

## Major Airport Tenants

### Passenger Carriers:

Allegiant Air  
American Airlines  
Delta Air Lines  
Southwest Airlines  
United Airlines

### Air Cargo Carriers:

Air Atlanta Icelandic  
Federal Express  
United Parcel Service

### Charter Services:

SAI Flight Services

### Private Hangar Tenants:

Barker Products  
Barnet Vistas  
Gibbs International  
Michelin  
Milliken  
PSA Airlines  
SAI Flight Services

### Other Airport Tenants:

Bradford Logistics Group  
CenterPoint  
Delta Cargo  
JetStar  
Majestic Air Services  
Runion Properties  
Senator International  
US Federal Aviation Administration  
US National Weather Service  
US Transportation Security Administration

### Other Terminal Tenants:

Fuel Rod  
Hudson Group  
OHM Concessions Group  
TD Bank  
Zoom Systems

### Fixed Base Operators:

Cerulean Aviation

### Rental Car:

Alamo/National  
Avis  
Budget  
Enterprise  
Hertz

### Ground Transportation:

Eastside Transportation  
Hotel Shuttles  
Limousine Companies  
Taxicab Companies  
TNC's (Uber, Lyft)

### Ground Handlers:

Delta Global Services  
Piedmont Airlines  
Treggo-Dugan Aviation  
United Ground Express

### Vehicle Parking:

LAZ Parking LLC

Source: Greenville-Spartanburg Airport District Records

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT ACCOLADES

JUNE 30, 2018



## **Title**

## **Source**

### **Life**

#13 in Best Places to Retire (2017)	US News & World Report
#31 Best Places to Live in the USA (2017)	US News & World Report
#5 South's Friendliest Cities (2018)	Southern Living
15 Cities in the South That Know How to Charm (2018)	CNN Travel
20 Best Places to Live for Weather (2018)	MSN
Greenville Named the Fourth Fastest Growing US City (2016)	Greenville News
The Best Small Cities in the U.S. (2017)	Conde Nast Traveler
Top 100 Best Places to Live (2018)	Livability
Why Greenville, SC is the fastest Growing City in the US (2016)	America Unraveled

### **Travel**

10 Best Places to Put on Your Travel Bucket List (2017)	Real Simple
10 Best Places to Travel in the South (2018)	Southern Living
18 Must-Visit Places (2018)	The Active Times
20 Places We Want to Travel to (2018)	Travel Channel
The 29 Coolest Small US Cities to visit (2018)	Business Insider
The 50 Best Places to Travel (2018)	Travel + Leisure

### **Eats**

#3 Top New Foodie Cities in America (2018)	People
Five Underrated Food Cities in the South (2017)	USA Today

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT UNEMPLOYMENT ANALYSIS

JUNE 30, 2018

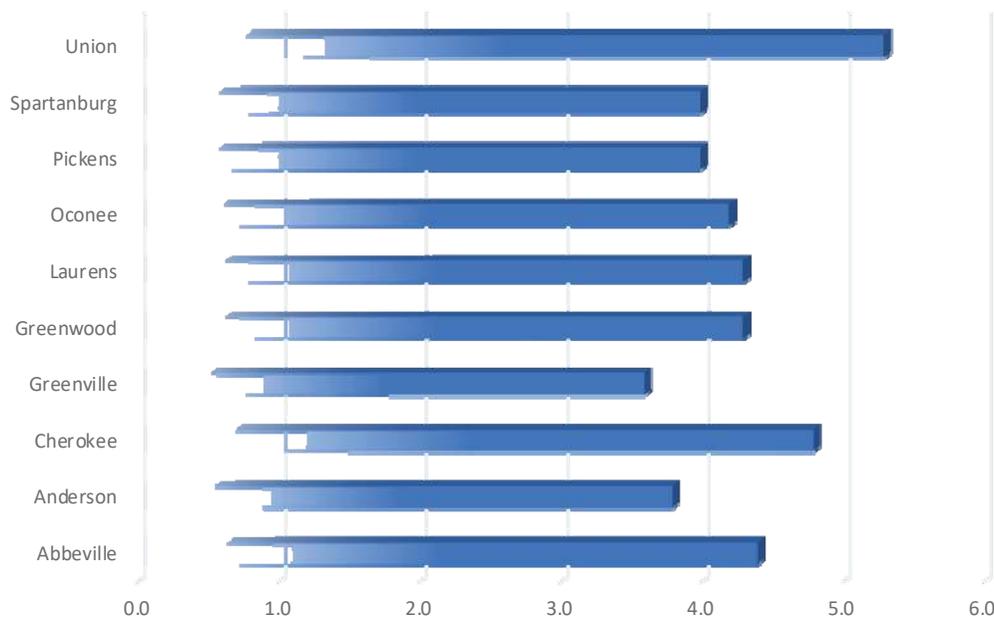


## Annual Average Unemployment Rate, 2008-2017 Upstate SC Counties / Upstate SC Region / US



COUNTY/REGION	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Abbeville	4.4	5.6	6.9	7.7	9.5	10.6	12.5	13.6	14.2	8.1
Anderson	3.8	4.7	5.4	5.9	7.1	8.8	10.3	11.6	12.0	6.8
Cherokee	4.8	6.0	7.2	8.3	10.5	12.8	14.7	15.7	15.8	9.1
Greenville	3.6	4.3	5.0	5.3	6.1	7.4	8.6	9.6	9.8	5.5
Greenwood	4.3	5.3	6.3	6.9	8.6	10.1	11.3	11.9	12.5	7.6
Laurens	4.3	5.3	6.5	7.1	8.6	10.3	11.6	12.3	11.7	7.4
Oconee	4.2	5.1	5.8	6.3	7.6	8.8	10.0	11.4	13.3	7.3
Pickens	4.0	5.1	5.8	6.3	7.4	8.9	9.9	10.9	10.5	6.0
Spartanburg	4.0	4.8	5.7	6.3	7.7	9.4	10.9	11.8	11.9	6.8
Union	5.3	6.3	7.8	8.6	11.3	13.6	16.0	17.7	19.2	10.8
Upstate Region <sup>(1)</sup>	3.9	4.8	5.7	5.9	7.3	8.5	9.6	11.0	11.8	6.7
South Carolina	4.2	5.1	6.0	6.4	7.6	9.2	10.6	11.2	11.2	6.8
United States	4.3	4.9	5.3	6.2	7.4	8.1	8.9	9.6	9.3	5.8

## 2017 UPSTATE UNEMPLOYMENT



Source: SC's Labor Force & Industry, 1990-1994, 1995-1999, SC Employment Security Commission (1990-1999 Data); SC Dept. of Employment & Workforce, (2000 - 2017 Data), and US Bureau of Labor Statistics (all US figures)

(1) Upstate Region - Area served by the Upstate Alliance, consisting of the individual counties listed.

Compiled By: InfoMentum - A Decision Support System for Upstate South Carolina

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT POPULATION ANALYSIS

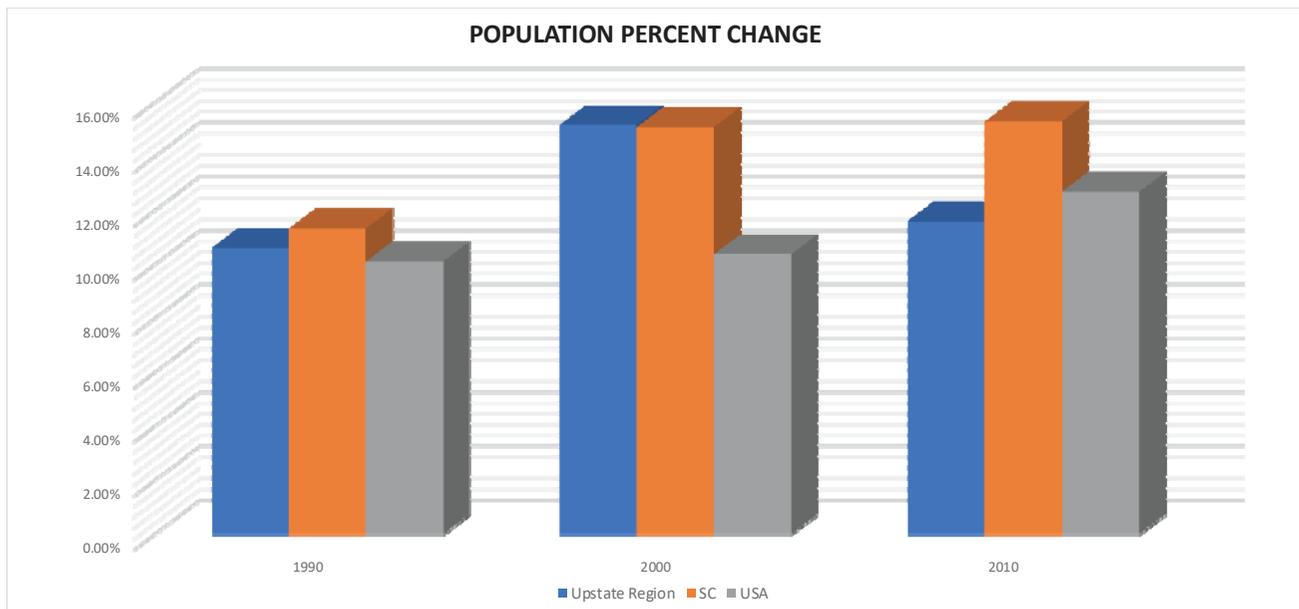
JUNE 30, 2018



## Census Population Trends and Projections, 1960-2030 County / Upstate Region / State / US



COUNTY/REGION	2030	2025	2020	2015	2010	2000	1990	1980	1970	1960
Abbeville	24,900	25,000	25,100	25,300	25,417	26,167	23,862	22,700	21,112	21,417
Anderson	218,500	209,000	199,500	193,300	187,126	165,740	145,177	133,800	105,474	98,478
Cherokee	57,300	57,000	56,800	56,100	55,342	52,537	44,506	41,000	36,791	35,205
Greenville	542,300	518,800	495,400	473,300	451,225	379,616	320,127	288,800	240,774	209,776
Greenwood	74,700	73,100	71,500	70,600	69,661	66,271	59,567	57,600	49,686	44,346
Laurens	65,000	65,000	65,100	65,800	66,537	69,567	58,132	52,500	49,713	47,609
Oconee	89,100	84,000	78,900	76,600	74,273	66,215	57,494	48,800	40,728	40,204
Pickens	132,900	128,300	123,800	121,600	119,224	110,757	93,896	79,600	58,956	46,030
Spartanburg	331,200	318,500	305,800	295,100	284,307	253,791	226,793	202,700	173,724	156,830
Union	28,100	28,300	28,500	28,700	28,961	29,881	30,337	30,800	29,230	30,015
Upstate Region <sup>(1)</sup>	1,564,000	1,507,000	1,450,400	1,406,400	1,362,073	1,220,542	1,059,891	958,300	806,188	729,910
SC	5,451,700	5,235,500	5,020,800	4,823,200	4,625,364	4,012,012	3,486,310	3,131,600	2,590,713	2,382,594
USA <sup>(2)</sup>	373,504,000	357,452,000	341,387,000	325,540,000	310,233,000	275,306,000	249,439,000	226,546,000	203,302,031	179,323,175



Source: U.S. Census Bureau, U.S. Census Bureau, Census 2000 and Census 2010, S.C. Department of Health and Environmental Control - Vital Records Department. Population projections calculated by the South Carolina Revenue and Fiscal Affairs Office, Health and Demographics Section

US Projections by US Bureau of the Census, Annual Projections of the Total Resident Population (NP-T1)

- (1) Upstate Region = Abbeville, Anderson, Cherokee, Greenville, Greenwood, Laurens, Oconee, Pickens, Spartanburg and Union Counties
- (2) Projections for the nation are based on 2000 Census data; projections for all other geographies are based on 2010 Census.

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT TOP 20 EMPLOYERS AND TOP PUBLIC COMPANIES

JUNE 30, 2018



## Top 20 Employers

2018	Employer	Employees*	Product or Service	U.S. Headquarters
1	Greenville Health System	15,055	Health Services	Greenville, SC
2	Michelin North America	13,764	Automotive Services	Greenville, SC
3	State of South Carolina	12,316	State Government	Columbia, SC
4	Greenville County Schools	11,000	Public Education School District	Greenville, SC
5	BMW Manufacturing Co. LLC	8,800	Automotive Manufacturer	Greer, SC
6	Spartanburg Regional Healthcare System	7,500	Health Services	Spartanburg, SC
7	Wal-Mart Stores, Inc.	5,440	Retail Stores & Distribution Facilities	Bentonville, AR
8	Clemson University	5,222	Public Research Facility	Clemson, SC
9	Bon Secours St. Francis Health System	4,355	Health Services	Greenville, SC
10	AnMed Health Medical Center	3,900	Health Services	Anderson, SC
11	Milliken & Company	3,650	Textile Manufacturing	Spartanburg, SC
12	GE Power	3,400	Technology Products/Solutions	Boston, MA
13	Duke Energy Corp.	3,300	Utility Provider	Charlotte, NC
14	ZF Transmissions Gray Court LLC	2,700	Automotive Services	Gray Court, SC
15	Fluor	2,555	Engineering/Construction	Irving, TX
16	Adidas America, Inc.	2,500	Footwear/Apparel Distribution Center	Portland, OR
17	Self Regional Healthcare	2,284	Health Services	Greenwood, SC
18	Greenville County	2,104	County Government	Greenville, SC
19	Greenwood County School District 50	1,940	Public Education School District	Greenwood, SC
20	School District of Pickens County	1,893	Public Education School District	Pickens, SC

\* Ranked by Number of Employees in the Upstate area  
Source: *Upstate SC Alliance* [www.upstatescalliance.com](http://www.upstatescalliance.com)

## Top Public Companies

Company	Revenues (000s)	U.S. Headquarters
Fluor	\$ 19,036,500	Greenville, SC
ScanSource	\$ 3,540,226	Greenville, SC
AVX Corp.	\$ 1,195,529	Fountain Inn, SC
World Acceptance Corp.	\$ 557,475	Greenville, SC
Denny's	\$ 506,900	Spartanburg, SC
Regional Management Corp.	\$ 240,518	Greer, SC
Synalloy Corp.	\$ 138,566	Spartanburg, SC
Southern First Bancshares	\$ 62,037	Greenville, SC
Oconee Federal Financial Corp.	\$ 20,400	Seneca, SC

Source: *GSA Business Reports, Book of Lists 2018*

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT HIGHER EDUCATION FALL 2016 ENROLLMENT

JUNE 30, 2018



<b>Institution</b>	<b>Enrollment</b>
<b><i>Four Year</i></b>	
Anderson University	3,432
Bob Jones University	2,901
Clemson University	23,406
Converse College	1,320
Erskine College	822
Furman University	3,003
Lander University	2,772
Limestone College	2,952
North Greenville University	2,534
Presbyterian College	1,351
Sherman College of Straight Chiropractic	384
Southern Wesleyan University	1,880
USC - Upstate	5,821
Wofford College	1,682
<b><i>Two Year</i></b>	
Greenville Technical College	11,932
Piedmont Technical College	4,907
Spartanburg Community College	4,715
Spartanburg Methodist College	737
Tri-County Technical College	6,094
University of South Carolina - Union	839
<b>Total Enrollment</b>	<b>83,484</b>

Source: SC Commission on Higher Education

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# COMPLIANCE SECTION

This section contains the following subsections:

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*

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

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

Schedule of Findings and Questioned Costs

Schedule of Status of Prior Year Findings and Questioned Costs

*Travel is our deal.*

allegiant

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**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  
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, 2018, 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 31, 2018.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Cherry Bebaert LHP

Greenville, South Carolina  
October 31, 2018



## **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  
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, 2018. 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, 2018.

### **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.



Greenville, South Carolina  
October 31, 2018

# GREENVILLE-SPARTANBURG AIRPORT DISTRICT SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018



Project Number and Description (Notes 1 and 2)	CFDA Number	Total Project Costs Incurred		Total Federal	Grant Status - Grant Funds		
		July 1, 2017	Cumulative	Expenditures	Received from FAA		
		to	to	to	July 1, 2017	Cumulative	Maximum
		June 30, 2018	June 30, 2018	June 30, 2018	to	to	Federal
					June 30, 2018	June 30, 2018	Participation
Department of Transportation - Airport							
Grant No. 3-45-0028-50 Apron Rehabilitation - (Constr) Phase II	20.106	\$ -	\$ 6,385,220	\$ -	\$ 57,232	\$ 5,689,899	\$ 5,689,899
Grant No. 3-45-0028-51 Taxiway G Rehabilitation & Apron Rehabilitation (Design) Phase III	20.106	-	1,001,097	-	-	900,988	915,000
Grant No. 3-45-0028-52 Rehabilitate Terminal Building & Apron Rehabilitation (Construction) Phase III	20.106	3,905,995	11,277,513	3,515,396	5,496,963	10,139,762	10,149,762
Grant No. 3-45-0028-53 Cargo Apron Expansion Design, Update Airport Master Plan, Rehabilitate Apron (5.6K SY- Phase 4), ARFF Building Design, & Snow Removal Equipment	20.106	3,242,322	3,242,322	2,338,672	1,500,384	1,500,384	4,138,888
Total Department of Transportation		7,148,317	24,845,120	5,854,068	7,054,579	20,876,104	23,721,959
Transportation Security Administration	97.090	120,450	2,598,671	100,320	160,050	331,650	331,650
Total Federal Awards		\$ 7,268,767	\$ 27,443,791	\$ 5,954,388	\$ 7,214,629	\$ 21,207,754	\$ 24,053,609

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

YEAR ENDED JUNE 30, 2018



## Note 1—Summary of significant accounting policies

*Basis of Presentation* – The accompanying schedule of expenditures of federal awards for the year ended June 30, 2018, for projects in effect from June 30, 2015 through June 30, 2018, 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 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.
- b. 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.
- c. 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.
- d. Grant agreement dated August 1, 2017 (Project #3-45-0028-53) provides funds to expand the Cargo Apron, update Airport Master Plan Study, rehabilitate apron Phase IV, construct aircraft rescue and fire fighting building (design) and acquire snow removal equipment.

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, 2018, the following projects were open:

- Project #3-45-0028-50
- Project #3-45-0028-51
- Project #3-45-0028-52
- Project #3-45-0028-53
- 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, 2018.

\* \* \* \* \*

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

YEAR ENDED JUNE 30, 2018



## Section I. Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

### Federal Awards

Internal control over major programs:

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

Noncompliance material to federal awards: \_\_\_\_\_ yes      X   no

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance \_\_\_\_\_ yes      X   no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X   yes    \_\_\_\_\_ no

## Section II. Financial Statement Findings

No findings reported.

## Section III. Federal Award Findings and Questioned Costs

No findings reported.



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

*YEAR ENDED JUNE 30, 2018*

**Section IV. Summary of Prior Year Findings**

There were no prior year findings.