



**GREENVILLE-SPARTANBURG AIRPORT
DISTRICT**

FINANCIAL STATEMENTS AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

As of and for the Years Ended June 30, 2016 and 2015

And Report of Independent Auditor

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Greenville-Spartanburg Airport District (the "Airport"), a political subdivision of the State of South Carolina, as of June 30, 2016 and 2015, 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, 2016 and 2015, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the required supplementary information schedules on pages 33 and 34 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 financial statements that collectively comprise the Airport's basic financial statements. The Schedule of Expenditures of Federal and State Awards ("SEFA"), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (the "Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 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 12, 2016

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015 (UNAUDITED)

The following Management Discussion and Analysis ("MD&A") of Greenville-Spartanburg Airport District ("GSP," "District" or the "Airport") activities and financial performance for the fiscal years ended June 30, 2016 and 2015, is presented in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — Management's Discussion and Analysis — For State and Local Governments*. The intent of the MD&A is to provide the reader with an introduction and overview to the financial statement package.

Following this MD&A are the basic financial statements of the Airport together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, this section also presents certain required supplementary information regarding debt service requirements to maturity.

Overview of Annual Financial Report

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

The Airport's financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to financial statements. The statement of net position presents the financial position of the Airport on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at the end of a year.

The statement of revenues, expenses, and changes in net position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Airport's recovery of its costs. The Airport's rates and charges are based on a cost recovery methodology provided in its airline use agreements. The primary objective of the rates and charges model is to determine the costs not covered by non-airline sources and to annually compute landing fees and terminal rents which will provide sufficient funding to reimburse the Airport.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The notes to financial statements provide disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the Airport's accounting policies, significant account balances, activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

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

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

JUNE 30, 2016 AND 2015 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2016 AND 2015

	June 30		Change	%
	2016	2015		
Assets:				
Cash and investments	\$ 19,669,642	\$ 46,480,755	\$ (26,811,113)	(57.68)
Bond funds	397,748	382,807	14,941	3.90
Receivables	5,914,095	2,897,964	3,016,131	104.08
Capital assets – net	216,597,316	188,744,416	27,852,900	14.76
Other	1,056,375	438,329	618,046	141.00
Total assets	\$ 243,635,176	\$ 238,944,271	\$ 4,690,905	1.96
Deferred Outflow of Pension Resources	\$ 972,467	\$ 887,006	\$ 85,461	9.63
Liabilities:				
Current liabilities	\$ 3,818,709	\$ 5,451,919	\$ (1,633,210)	(29.96)
Long-term liabilities	14,820,829	14,211,384	609,445	4.29
Total liabilities	\$ 18,639,538	\$ 19,663,303	\$ (1,023,765)	(5.21)
Deferred Inflow of Pension	\$ 32,267	\$ 853,882	\$ (821,615)	(96.22)
Net position:				
Net investment in capital assets	\$214,087,781	\$185,951,847	\$ 28,135,934	15.13
Restricted	2,431,483	2,395,378	36,105	1.51
Unrestricted	9,416,574	30,966,867	(21,550,293)	(69.59)
Total net position	\$ 225,935,838	\$ 219,314,092	\$ 6,621,746	3.02

As can be seen from the above, the Airport has a very strong Statement of Net Position. Liquidity continues to be very strong. Total net position is \$225,935,838 of which \$9,416,574 is unrestricted.

- Total assets at June 30, 2016 were \$243,635,176, which included \$6,656,421 in cash and receivables, \$16,864,384 million in investments, \$397,748 in investments held by US Bank (GSP's Revenue Bond Trustee), and \$216,597,316 in capital assets. Total liabilities were \$18,639,538, \$10,446,431 of which related to the unfunded portion of the South Carolina Retirement pension and \$2,280,000 of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the \$243,635,176 in assets plus the \$972,467 in deferred outflows of resources and the \$18,639,538 in liabilities plus the \$32,267 in deferred inflows of resources is categorized as Net Position (\$225,935,838). Net Position is composed of \$214,087,781 of net investment in capital assets, \$2,431,483 in restricted assets for capital projects, and \$9,416,574 in unrestricted assets.

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

JUNE 30, 2016 AND 2015 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2015 AND 2014

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

As can be seen from the above, the Airport has a very strong Statement of Net Position. Liquidity continues to be very strong. Total net position is \$219,314,092 of which \$30,966,867 is unrestricted.

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

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

JUNE 30, 2016 AND 2015 (UNAUDITED)

FINANCIAL HIGHLIGHTS

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

	June 30		Change	%
	2016	2015		
Operating revenues:				
Landing and other airside fees	\$ 2,956,934	\$ 2,918,915	\$ 38,019	1.30
Space and ground rental fees	8,709,634	8,053,184	656,450	8.15
Concessions revenue	14,178,162	13,342,259	835,903	6.27
Expense reimbursements	1,272,775	1,112,448	160,327	14.41
Other revenue	1,247,052	1,257,319	(10,267)	(0.82)
Total operating revenues	28,364,557	26,684,125	1,680,432	6.30
Operating expenses:				
Direct operating expenses	15,675,674	14,625,743	1,049,931	7.18
Loss on disposal of assets	195,388	490,095	(294,707)	(60.13)
Depreciation	10,129,258	9,725,558	403,700	4.15
Total operating expenses	26,000,320	24,841,396	1,158,924	4.67
Operating income	2,364,237	1,842,729	521,508	28.30
Non-operating income	916,288	711,738	204,550	28.74
Income before capital contributions	3,280,525	2,554,467	726,058	28.42
Capital contributions	3,341,221	6,523,985	(3,182,764)	(48.79)
Change in net position before cumulative change	6,621,746	9,078,452	(2,456,706)	(27.06)
Cumulative effect of the change in accounting principle	-	(9,215,747)	9,215,747	(100.00)
Change in net position	\$ 6,621,746	\$ (137,295)	\$6,759,041	4,923.01

- Total operating revenues were \$28,364,557 for the fiscal year ended June 30, 2016, up 6.3% from \$26,684,125 as compared to the prior year. This increase was the result of higher auto parking revenues due to an increase in traffic and higher airline space rental revenues due to a higher rate charged to recoup budgeted terminal expenses.
- Total direct operating expenses were \$15,675,674 for the fiscal year ended June 30, 2016, up 7.18% from \$14,625,743 as compared to the prior year. This increase was largely due to an increase in employee benefits, professional services and promotional activities.
- The loss on disposal of assets was \$195,388 for the fiscal year ended June 30, 2016, down 60.13% from \$490,095 as compared to the prior year. The current fiscal year consisted of the fuel farm disposal while the prior fiscal year included disposal of larger apron assets.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015 (UNAUDITED)

- Total non-operating income was \$916,288 for the fiscal year ended June 30, 2016, up 28.74% from \$711,738 as compared to the prior year. This is due to an increase in excess Contract Facility Charge ("CFC") revenues from the rental car companies.
- Depreciation expense was \$10,129,258 for the fiscal year ended June 30, 2016, as compared to \$9,725,558 in the fiscal year ended June 30, 2015.
- The debt service coverage ratio was 3,201%, which exceeded the 125% required by the debt covenants of GSP's various bond issues.
- The blended result of increased operating revenues and non-operating income, only partially offset by an increase in direct operating expense and depreciation expense, as discussed above, resulted in GSP's net income before capital contribution of \$3,280,525 and \$2,554,467 for fiscal year ended June 30, 2016 and fiscal year ended June 30, 2015, respectively.

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

JUNE 30, 2016 AND 2015 (UNAUDITED)

FINANCIAL HIGHLIGHTS

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

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

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015 (UNAUDITED)

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015 (UNAUDITED)

Description of Significant Capital and Long-term Debt Expenditures

The Airport District is currently in the midst of a major terminal renovation with a project budget of approximately \$123 million. The expected completion date is scheduled for 3rd quarter, calendar year 2016. The first two of three project phases constituting approximately \$72.5 million was completed and capitalized in the fiscal year ended June 30, 2015. The final project phase will continue to be reflected in Construction In Progress, valued at \$49 million for the fiscal year ended June 30, 2016 versus \$21 million for the fiscal year ended June 30, 2015, until final completion and capitalization in the fiscal year ended June 30, 2017.

The Airport District has incurred no additional long-term debt expenditures in either the fiscal year ended June 30, 2016 or June 30, 2015. The only expenditures related to long-term debt are those of normal debt service. On May 9, 2016 the District's Commission approved the opening of a \$25 million Line of Credit ("LOC") with TD Bank for special project use, but as of June 30, 2016 there were no drawdowns on said LOC.

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, 2016 or June 30, 2015.

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

Looking Ahead ...

Aviation Industry Overview

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

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

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015 (UNAUDITED)

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

- Airfares are likely to stay high most of this decade.
- Passenger travel will continue to grow at reduced rates, but airline capacity will continue to shrink, albeit slowly. This combination will cause planes to get more crowded, and is likely to remain that way.
- Over the next two decades, U.S. airline travel is expected to nearly double.
- Airlines are recording historically high profitability levels. These levels of higher profitability are expected to continue for the foreseeable future.

The most recent Federal Aviation Administration ("FAA's") Aerospace Forecast currently published (2016-2036) contains the following "Forecast Highlights":

"Since its deregulation in 1978, the U.S. commercial air carrier industry has been characterized by boom-to-bust cycles. The volatility that was associated with these cycles was thought by many to be a structural feature of an industry that was capital intensive but cash poor. However the great recession of 2007-09 marked a fundamental change in the operations and finances of U.S. Airlines. Air carriers fine-tuned their business models to minimize losses by lowering operating costs, elimination unprofitable routes, and grounding older, less fuel-efficient aircraft. To increase operating revenues, carriers initiated new services that customers were willing to purchase and started charging separately for services that were historically bundled in the price of a ticket. The industry experienced an unprecedented period of consolidation with four major mergers in five years. These changes along with capacity discipline exhibited by carriers have resulted in a fifth consecutive year of profitability for the industry in 2015. Looking ahead there is optimism that the industry had been transformed from that of a boom-to-bust cycle to one of sustainable profits.

As the economy recovers from the most serious economic downturn since World War II and the slowest expansion in recent history, aviation will continue to grow over the long run. Fundamentally, over the medium and long term, demand for aviation is driven by economic activity. The 2016 FAA forecast calls for U.S. carrier passenger growth over the next 20 years to average 2.1 percent per year, slightly faster than last year's forecast. The sharp decline in the price of oil in 2015 is a catalyst for a short-lived uptick in passenger growth in 2016. Although oil prices are projected to fall to around \$43 per barrel in 2016, our forecast assumes that they will rise thereafter to exceed \$100 by 2023 and \$150 by the end of the forecast, keeping a lid on U.S. economic growth during the same period. There are a number of headwinds that are buffeting the global economy – the fall in oil prices, 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. The uncertainty over the future course of oil prices is just one more item on the list. Although the U.S. economy has managed to avoid a recession, a prolonged period of faster economic growth (e.g. >3%) may not be forthcoming.

System traffic in revenue passenger miles (RPMs) is projected to increase by 2.6 percent a year between 2016 and 2036. Domestic RPMs are forecast to grow 2.1 percent a year while International RPMs are forecast to grow almost twice as fast at 3.5 percent a year. U.S. carrier system capacity measure in available seat miles (ASMs) is forecast to grow in line with the increases in demand. The number of seats per aircraft is getting bigger, especially in the regional jet market, where we expect the number of 50 seat regional jets to fall to just a handful by 2023, replaced by 70-90 seat aircraft.

Although the U.S. and global economy continued to sputter in 2015, stable demand and lower energy prices resulted in record profits for U.S. airlines. U.S. carrier profitability should remain steady or increase as the recovery leads to strengthening demand and increase revenues, while lower energy prices keep operating costs in check. Over the long term, we see a competitive and profitable aviation industry characterized by increasing demand for air travel and airfares growing more slowly than inflation, reflecting over the long term a growing U.S. economy.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015 (UNAUDITED)

The long-term outlook for general aviation is favorable, led by gains in turbine aircraft activity. The active general aviation fleet is forecast to increase 0.2 percent a year between 2015 and 2036, equating to an absolute increase in the fleet of about 7,000 units. While steady growth in both GDP and corporate profits results in continued growth of the turbine and rotorcraft fleets, the largest segment of the fleet – fixed wing piston aircraft continues to shrink over the forecast. Although fleet growth is minimal, the number of general aviation hours flown is projected to increase an average of 1.2 percent per year through 2036, as growth in turbine, rotorcraft, and experimental hours more than offset a decline in fixed wing piston hours.

With increasing numbers of regional and business jets in the nation's skies, fleet mix changes, and carriers consolidating operations in their large hubs, we expect increased activity growth, which has the potential to increase controller workload. Operations at FAA and contract towers are forecast to increase 0.9 percent a year over the forecast period with commercial activity growing at five times the rate of noncommercial activity. The growth in U.S. airline and business aviation activity is the primary driver. Large and medium hubs will see much faster increases than small and non-hub airports, largely due to the commercial nature of their operations."

Source: FAA Forecast Highlights 2016-2036

Moody's Investor Service Airport Industry Outlook

Moody's has assigned a **positive** outlook for the short-term (12-18 months) U.S. Airport industry sector as economic growth brings more travelers. This outlook is summarized in the following press release on December 16, 2015:

Global Credit Research - 16 Dec 2015

More seat capacity on US airlines, combined with continued US economic expansion, will push enplanement growth to between 2.5% and 4% in 2016, approximately equal to our previous expectation of up to 4% growth in 2015. Enplanement growth, or the increase in number of passengers using an airport to depart on a flight, is a key indicator of our outlook because in most instances it translates into higher parking and airport-terminal concession revenues, which account for about half of total airport revenue. Our outlook has been positive since December 2014.

- **Airlines will add more seats in 2016, supporting enplanement growth.** Seat growth, which we expect to rise between 3% and 4.5%, is strongly correlated with airline seat capacity and economic growth. Based on guidance provide by US airlines in third quarter earnings updates, seat capacity growth will be moderate at the large US carriers, but smaller airlines will again add significant capacity in 2016.
- **US economic growth will support demand for US travel.** The US economy will grow about 2.5%, according to Moody's Macroeconomic Board's forecast , supporting increased air travel. We also expect US travelers' strong demand to make up for weakness in inbound travel.
- **Higher-than-expected enplanement growth and stronger-than-expected financial performance this year will provide a cushion against downside risks in 2016.** For 2015, most airports will report enplanement growth above 2%, which will result in increased debt-service coverage ratios and stronger liquidity. For 2016, we expect enplanement growth will be near 4%, which will also result in stronger-than expected financial metrics.
- **Small airports will continue to lag as airlines constrain capacity growth.** In 2015, small airports as a group have seen meager growth of about 1%. Small airports are more likely to only be served by the large legacy airlines, which are projected to see the smallest seat capacity growth.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015 (UNAUDITED)

- **What could change our outlook.** We would likely shift back to a stable outlook if enplanement growth slips below 2.5%, which could happen if the US economy weakens.

Source: Moody's Investor Service outlook on US Airport Industry "2016 Outlook – Enplanement Growth Drives Positive Outlook"... December 10, 2015

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.

A major project initiative currently underway and nearing completion is a redesign of our aging terminal facilities. The project started in 2012 and has a completion date tentatively scheduled for the 3rd quarter, 2016.

Management agrees with the FAA forecasts and continues to plan for long-term growth in accordance with local initiatives/demands, planning forecasts, and the approved 2003 Airport Master Plan (Note: an update to the 2003 Master Plan is budgeted this year in the Capital Improvement Plan ("CIP")). 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.

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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 2,805,258	\$ 9,620,747
Receivables	3,851,163	624,315
Inventories and prepaid insurance	1,056,375	438,329
Investments	16,864,384	36,261,894
Notes receivable - current portion	229,535	217,568
Total current assets	<u>24,806,715</u>	<u>47,162,853</u>
Restricted assets:		
Cash	-	598,114
Receivables	246,112	239,261
Investments - held by Trustee	397,748	382,807
Total restricted assets	<u>643,860</u>	<u>1,220,182</u>
Notes receivable - net of current portion	<u>1,587,285</u>	<u>1,816,820</u>
Capital assets - at cost:		
Land	41,074,047	41,074,047
Buildings and equipment	187,341,404	182,061,017
Runways	65,205,550	60,789,646
Construction-in-progress	48,909,735	20,890,224
Total capital assets	342,530,736	304,814,934
Less accumulated depreciation	<u>(125,933,420)</u>	<u>(116,070,518)</u>
Capital assets - net	<u>216,597,316</u>	<u>188,744,416</u>
Total Assets	<u>\$ 243,635,176</u>	<u>\$ 238,944,271</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to State Pension	<u>\$ 972,467</u>	<u>\$ 887,006</u>

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

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

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 3,191,429	\$ 4,851,546
Unearned credits - current portion	<u>229,535</u>	<u>217,568</u>
Total payable from unrestricted assets	<u>3,420,964</u>	<u>5,069,114</u>
Payable from restricted assets:		
Accrued interest payable	77,745	87,805
Revenue bonds - current portion	<u>320,000</u>	<u>295,000</u>
Total payable from restricted assets	<u>397,745</u>	<u>382,805</u>
Total current liabilities	<u>3,818,709</u>	<u>5,451,919</u>
Unearned credits - net of current portion	1,587,285	1,816,820
Long-term employee benefits	827,113	803,234
SCRS Pension liability	10,446,431	9,311,330
Revenue bonds payable - net of current portion	<u>1,960,000</u>	<u>2,280,000</u>
Total Liabilities	<u>\$ 18,639,538</u>	<u>\$ 19,663,303</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to State Pension	<u>\$ 32,267</u>	<u>\$ 853,882</u>
 NET POSITION		
Net investment in capital assets	214,087,781	185,951,847
Restricted:		
Held by Trustee	320,003	295,003
Contract facility charges	<u>2,111,480</u>	<u>2,100,375</u>
Total restricted	<u>2,431,483</u>	<u>2,395,378</u>
Unrestricted	<u>9,416,574</u>	<u>30,966,867</u>
Total Net Position	<u>\$ 225,935,838</u>	<u>\$ 219,314,092</u>

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

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

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Airside	\$ 2,956,934	\$ 2,918,915
Space and ground rental	8,709,634	8,053,184
Concessions	14,178,162	13,342,259
Other	<u>2,519,827</u>	<u>2,369,767</u>
Total operating revenues	<u>28,364,557</u>	<u>26,684,125</u>
Operating expenses before loss on disposal of assets and depreciation:		
Airfield	293,485	223,299
Terminal building	2,305,357	2,218,801
Administrative	5,421,645	4,787,066
Maintenance and operations	3,302,396	3,177,589
Fire and crash department	1,141,020	1,106,173
Security	1,236,226	1,242,102
Other direct expenses	<u>1,975,545</u>	<u>1,870,713</u>
Total operating expenses before loss on disposal of assets and depreciation	<u>15,675,674</u>	<u>14,625,743</u>
Operating income before loss on disposal of assets and depreciation	12,688,883	12,058,382
Net loss on disposal of assets	195,388	490,095
Depreciation	<u>10,129,258</u>	<u>9,725,558</u>
Operating income	<u>2,364,237</u>	<u>1,842,729</u>
Nonoperating revenues (expenses):		
Contract facility charges	1,026,795	856,591
Interest on accounts	43,134	22,685
Change in fair value of investments	1,855	8,076
Interest and other financing costs - net	<u>(155,496)</u>	<u>(175,614)</u>
Nonoperating revenues - net	<u>916,288</u>	<u>711,738</u>
Income before capital contributions	3,280,525	2,554,467
Capital contributions	<u>3,341,221</u>	<u>6,523,985</u>
Increase in net position before cumulative change	6,621,746	9,078,452
Cumulative effect of the change in accounting principle	-	(9,215,747)
Change in net position	<u>6,621,746</u>	<u>(137,295)</u>
Net position:		
Beginning of year	<u>219,314,092</u>	<u>219,451,387</u>
End of year	<u>\$ 225,935,838</u>	<u>\$ 219,314,092</u>

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from providing services	\$ 25,137,709	\$ 26,643,266
Cash payments to suppliers for goods and services	(10,093,965)	(7,018,728)
Cash payments to employees for services	(7,607,968)	(7,226,920)
Net cash provided by operating activities	<u>7,435,776</u>	<u>12,397,618</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(38,177,546)	(33,878,590)
Net proceeds from sale of investments - held by Trustee	(14,941)	(5,452)
Principal payments on bonds	(295,000)	(280,000)
Interest payment on bonds	(165,556)	(185,162)
Capital contributions	3,341,221	6,523,985
Contract facility charges	1,019,944	843,270
Net cash used in capital and related financing activities	<u>(34,291,878)</u>	<u>(26,981,949)</u>
Cash flows from investing activities:		
Net purchase and maturity of investment securities	19,399,365	10,262,979
Investment income	43,134	22,685
Net cash provided by investing activities	<u>19,442,499</u>	<u>10,285,664</u>
Net increase (decrease) in cash	(7,413,603)	(4,298,667)
Cash, beginning of year	<u>10,218,861</u>	<u>14,517,528</u>
Cash, end of year	<u>\$ 2,805,258</u>	<u>\$ 10,218,861</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,364,237	\$ 1,842,729
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,129,258	9,725,558
Net loss on disposal of capital assets	195,388	490,095
Change in assets and liabilities:		
Trade and other receivables	(3,226,848)	(40,859)
Inventories and prepaid insurance	(618,046)	73,585
Deferred outflows related to state pension	(85,461)	(312,214)
Trade accounts payable and accrued liabilities	(1,660,117)	243,059
Other long-term liabilities	1,158,980	(478,217)
Deferred pension investment earnings	(821,615)	853,882
Total adjustments	<u>5,071,539</u>	<u>10,554,889</u>
Net cash provided by operating activities	<u>\$ 7,435,776</u>	<u>\$ 12,397,618</u>

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Organization

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

Note 2—Summary of significant accounting and reporting policies

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash – For purposes of the statements of cash flows, certain highly liquid investments (including restricted assets) not otherwise defined as an investment by State of South Carolina statute (see "Investments" below) with an original maturity of three months or less, are considered to be cash equivalents and are recorded at fair market value. The cash equivalents as of June 30, 2016 and 2015 were \$14,997,161 and \$29,999,961, 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 and notes at June 30, 2016 and 2015, are carried at fair value. All investments are carried in the Airport's name and held by the dealer/safekeeping agent. Investment maturities are currently set for four weeks, in order to have funds available when needed for the terminal improvement project. At maturity, the Treasury bills are either reinvested or included in current assets until used for construction in progress.

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

Capital Assets – Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 25 years. The Airport's threshold for capitalization is \$10,000. Repair and maintenance costs are expensed when incurred. Changes in accumulated depreciation during 2016 and 2015 are as follows:

	Fixed Assets Acquired by FAA Grants	Other Fixed Assets	Total Fixed Assets
Accumulated depreciation - June 30, 2014	\$ 67,369,155	\$ 46,696,475	\$ 114,065,630
Fiscal year 2015 depreciation	5,260,913	4,464,645	9,725,558
Less - 2015 capital asset write-offs	<u>(6,720,054)</u>	<u>(1,000,616)</u>	<u>(7,720,670)</u>
Accumulated depreciation - June 30, 2015	65,910,014	50,160,504	116,070,518
Fiscal year 2016 depreciation	4,820,799	5,308,459	10,129,258
Less - 2016 capital asset write-offs	<u>(253,038)</u>	<u>(13,318)</u>	<u>(266,356)</u>
Accumulated depreciation - June 30, 2016	<u>\$ 70,477,775</u>	<u>\$ 55,455,645</u>	<u>\$ 125,933,420</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, 2016 and 2015. 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, 2016 and 2015, as notes receivable and unearned credits totaling \$1,816,820 and \$2,034,388, respectively, in the accompanying statements of net position.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

For the years ended June 30, 2016 and 2015, the Airport has recorded CFCs related to space and ground rental as operating revenue of \$1,367,162 and \$1,345,198, respectively, in addition to non-operating revenue consisting of the following:

	<u>2016</u>	<u>2015</u>
Funding of Series 2001 Bonds	\$ 460,556	\$ 465,163
Reimbursement of Airport-funded construction	329,460	329,460
CFC surplus receipts/(deficit)	<u>236,779</u>	<u>61,968</u>
	<u>\$ 1,026,795</u>	<u>\$ 856,591</u>

Additionally, as of June 30, 2016 and 2015, the Airport had received but not yet spent CFCs totaling \$1,865,368 and \$1,263,000, respectively, which are reported as restricted in the accompanying statements of net position until expended.

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

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

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

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

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

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

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

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

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

Regular full-time employees accumulate sick leave at the rate of 96 hours per year and can accrue up to 720 hours. All employees who properly resign, are laid off, or otherwise separated from the Airport in good standing are entitled to be paid 33% of any unused sick balance not to exceed 240 hours. An accrual for sick leave has been made as of June 30, 2016 and has been categorized into a short-term and long-term portion. Sick leave can be taken for medical appointments, personal illness or illness of a member of the immediate family. Sick leave may be used in the determination of length of service for retirement benefit purposes. The noncurrent portion of the accrued liability related to sick leave is included in long-term employee benefits and the current portion in accrued liabilities in the statements of net position.

New Pronouncements – The GASB has issued the following statement, which has been implemented by the Airport for the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*, effective for periods beginning after June 15, 2015, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement does not have a material impact on the Airport's financial statements.

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

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 3—Cash and other financial instruments

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

Airport cash accounts are part of a nightly multi-account sweep with a major financial institution's automated investment system repurchase agreement. The balance of the overnight agreement was \$5,083,241 and \$9,679,960 as of June 30, 2016 and 2015, respectively. The overnight repurchase agreements are collateralized by the underlying U.S. government securities utilizing the Dedicated Method. Under the dedicated method, the bank custodian is required to pledge specific securities for collateralized balances in excess of the amounts covered by the Federal Depository Insurance Corporation.

At June 30, 2016 and 2015, the carrying amount for Airport's cash totaled \$6,417,367 and \$11,599,322, respectively. Of the Airport's bank balance, \$250,000 was covered by federal depository insurance, while the remainder of the Airport's deposits were covered by collateral held under the Dedicated Method.

Note 4—Receivables

Receivables are recorded at their gross value when earned and are reduced, if applicable, by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts, when applicable, is based on collection history, aviation industry trends, and current information regarding the creditworthiness of the tenants and others doing business with the Airport. As of June 30, 2016 and 2015, no allowance for uncollectible amounts was recorded.

Receivables (including restricted assets) consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Trade and contract facility charge	\$ 745,826	\$ 668,808
FAA and other grants	3,348,318	7,097
Interest and other	3,131	187,671
	<u>\$ 4,097,275</u>	<u>\$ 863,576</u>

Note 5—Investments

At June 30, 2016 and 2015, the Airport's investment balances, recorded at fair value, were \$16,864,384 and \$36,261,894, respectively. At June 30, 2016 and 2015, the entire amount was invested in U.S. Treasury bills.

All investments held at June 30, 2016 and 2015 have maturities of less than one year and have an AAA rating. In addition, investments with fair values of \$397,748 and \$382,807 as of June 30, 2016 and 2015, respectively, were held by a trustee.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 5—Investments (continued)

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

1. Checking accounts in U.S. federally insured banks and savings and loans not to exceed federally insured amounts;
2. Money market funds that invest in U.S. Government backed securities;
3. U.S. Treasury Obligations to include U.S. Treasury bills and notes, or any other obligation or security issued by or backed by the full faith and credit of the U.S. Treasury;
4. Federal Agency Obligations including bonds, notes, debentures, or other obligations or securities issued by, or backed by, full faith and credit of any U.S. Government agency or sponsored enterprise.
5. South Carolina Local Government Investment Pool ("SCLGIP") limited to 25% of investment portfolio.

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

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

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

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

Fair Value – Investments are reported at fair value and categorized within the fair value hierarchy established under accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Gains or losses that result from market fluctuation are reported in the current period. As of June 30, 2016 and 2015, the Airport's Treasury bills are valued using significant other observable inputs (Level 2 inputs).

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 6—Capital assets

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

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

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

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 38,909,689	\$ 2,164,358	\$ -	\$ 41,074,047
Construction-in-process	62,776,368	31,588,710	(73,474,854)	20,890,224
Total capital assets not being depreciated	<u>101,686,057</u>	<u>33,753,068</u>	<u>(73,474,854)</u>	<u>61,964,271</u>
Capital assets being depreciated:				
Buildings and equipment	109,448,991	208,640	72,403,386	182,061,017
Runways	68,012,061	-	(7,222,415)	60,789,646
Total capital assets being depreciated	<u>177,461,052</u>	<u>208,640</u>	<u>65,180,971</u>	<u>242,850,663</u>
Total accumulated depreciation	<u>(114,065,630)</u>	<u>(9,725,558)</u>	<u>7,720,670</u>	<u>(116,070,518)</u>
Net capital assets	<u>\$ 165,081,479</u>	<u>\$ 24,236,150</u>	<u>\$ (573,213)</u>	<u>\$ 188,744,416</u>

Interest costs charged to expense for the years ended June 30, 2016 and 2015 totaled \$155,496 and \$175,614, respectively.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 7—Revenue bonds

A summary of the revenue bond changes during fiscal 2016 and 2015 is as follows:

	<u>Outstanding June 30, 2015</u>	<u>Net Cash Disbursement</u>	<u>Outstanding June 30, 2016</u>	<u>Current Portion</u>
Revenue bonds:				
Series 2001B	\$ 2,575,000	\$ (295,000)	\$ 2,280,000	\$ 320,000
Total	<u>\$ 2,575,000</u>	<u>\$ (295,000)</u>	<u>\$ 2,280,000</u>	<u>\$ 320,000</u>
	<u>Outstanding June 30, 2014</u>	<u>Net Cash Disbursement</u>	<u>Outstanding June 30, 2015</u>	<u>Current Portion</u>
Revenue bonds:				
Series 2001B	\$ 2,855,000	\$ (280,000)	\$ 2,575,000	\$ 295,000
Total	<u>\$ 2,855,000</u>	<u>\$ (280,000)</u>	<u>\$ 2,575,000</u>	<u>\$ 295,000</u>

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

Under the terms of the Series 2001 Bonds, the Airport is subject to certain covenants including, but not limited to, limitations on the transfer or sale of assets, limitations on the incurrence of additional indebtedness, maintenance of adequate insurance coverage on property, and maintenance of a minimum level of net revenues, as defined, to aggregate annual debt service. As of June 30, 2016 and 2015, 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, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 320,000	\$ 155,496	\$ 475,496
2018	340,000	133,672	473,672
2019	365,000	110,484	475,484
2020	390,000	85,591	475,591
2021	420,000	58,993	478,993
2022	445,000	30,349	475,349
Total	<u>\$ 2,280,000</u>	<u>\$ 574,585</u>	<u>\$ 2,854,585</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 8—Unearned credits

In accordance with the Rental Car bond resolution, the Airport lent the service center project \$3,500,000 plus \$400,000 in capitalized interest. \$3,900,000 was recorded as a 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, 2016 and 2015, was \$217,568 and \$206,226, respectively, with a remaining balance of \$1,816,820 and \$2,034,388, respectively.

Note 9—Capital contributions

For the years ended June 30, 2016 and 2015, the Airport recognized capital contributions primarily from the FAA totaling \$3,341,221 and \$6,523,985, respectively, in its statements of revenues, expenses, and changes in net position.

Note 10—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, 2016:

2017	\$	337,479
2018		328,321
2019		236,912
2020		164,919
2021		133,889
Thereafter		<u>2,271,803</u>
	\$	<u>3,473,323</u>

The value of the leased property is as follows:

Buildings	\$	1,467,700
Less: accumulated depreciation		<u>(110,078)</u>
	\$	<u>1,357,622</u>

Note 11—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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 11—Commitments and contingencies (continued)

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

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

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

The Airport had entered into commitments for construction contracts for \$49,752,965, of which \$6,002,173 is outstanding at June 30, 2016.

Note 12—Pension plan and post-retirement benefits

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

Plan members were required to contribute 8.16% and 8.74% of their annual covered salary to the Plan for SCRS and PORS, respectively, and the Airport contributes 11.06% and 13.54% for SCRS and PORS, respectively, which is an actuarially determined rate. The Airport’s Plan-matching contribution in fiscal years 2016, 2015 and 2014 was approximately \$833,525, \$689,240 and \$585,900, respectively, and equaled the required contributions for those years.

Greenville-Spartanburg Airport District reported a liability of \$10,446,431 and \$9,311,330 for its proportionate share of the net pension liability of SCRS and PORS as of June 30, 2016 and June 30, 2015, respectively. The net pension liability was measured as of June 30, 2015 and June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Airport’s proportion of the net pension liability was based on Greenville-Spartanburg Airport District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Airport’s proportion was 0.042039% and 0.11349% of the total SCRS and PORS pension liability, respectively. At June 30, 2014, the Airport’s proportion was 0.041344% and 0.114560% of the total SCRS and PORS pension liability, respectively.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 12—Pension plan and post-retirement benefits (continued)

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

	2016		2015	
	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	\$ -	\$ 32,267	\$ -	\$ 853,882
Contributions subsequent to the measurement date	605,499	-	626,782	-
Difference in expected and actual experience in measurement of pension liability	366,968	-	260,224	-
	<u>\$ 972,467</u>	<u>\$ 32,267</u>	<u>\$ 887,006</u>	<u>\$ 853,882</u>

The Airport's contributions of \$605,499 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Total pension expense for the period years ended June 30, 2016 and June 30, 2015 was \$833,525 and \$689,240, respectively.

The following schedule reflects the Airport's proportion of the amortization of the net balance of remaining deferred outflows / (inflows) of resources of the SCRS at the measurement date of June 30, 2016:

Measurement Period Ending June 30,	SCRS	PORS
2017	\$ (49,495)	\$ (1,017)
2018	(49,495)	(1,017)
2019	(840)	1,148
2020	(176,789)	(57,196)
Thereafter	-	-
Net Balance of Deferred (Outflows)/Inflows of Resources	<u>\$ (276,619)</u>	<u>\$ (58,082)</u>

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 12—Pension plan and post-retirement benefits (continued)

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

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.5%	7.5%
Projected salary increases (varies by service)	3.5% to 12.5%	4% to 10%
Inflation	2.75%	2.75%
Benefit adjustment	Lesser of 1% or \$500	Lesser of 1% or \$500

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

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

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 12—Pension plan and post-retirement benefits (continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the SCRS, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation. For actuarial purposes for the years ended June 30, 2016 and 2015, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component. The target asset allocations and the long-term expected real rates of return are as follows:

Measurement Period Ending June 30,	SCRS	PORS
2017	\$ (49,495)	\$ (1,017)
2018	(49,495)	(1,017)
2019	(840)	1,148
2020	(176,789)	(57,196)
Thereafter	-	-
Net Balance of Deferred (Outflows)/Inflows of Resources	\$ (276,619)	\$ (58,082)

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for the years ended June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the fiduciary net position of SCRS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 12—Pension plan and post-retirement benefits (continued)

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

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

	June 30, 2016		
	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase Rate (8.50%)
SCRS	\$ 10,051,547	\$ 7,972,910	\$ 6,230,727
PORS	\$ 3,369,499	\$ 2,473,521	\$ 1,672,545
	June 30, 2015		
	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase Rate (8.50%)
SCRS	\$ 9,211,218	\$ 7,118,114	\$ 5,371,777
PORS	\$ 3,064,895	\$ 2,193,216	\$ 1,471,886

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

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

The Airport's SCDCP matching contribution in the fiscal years ended June 30, 2016 and 2015 was \$108,295 and \$98,137, respectively.

Note 13—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, 2016 and 2015. These funds are to be used by the Airport to either prepay their 2001 revenue bonds or to fund additional improvements to the rental car facilities at the Airport.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 14—Risk management

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

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

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

Note 15—Subsequent Events

On September 8, 2016, the Airport entered into a \$25 million revolving credit facility provided by T.D. Bank, N.A., secured by a lien on the Net Revenues of the Airport. All notes from this line of credit will bear interest at a variable rate equal to one-month LIBOR plus 0.75%, adjusted monthly. On September 23, 2016, the Airport received an advance in the amount of \$2,164,358.

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GREENVILLE-SPARTANBURG AIRPORT DISTRICT

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

JUNE 30, 2016 (UNAUDITED)

Fiscal Year	Airport's Proportion of Net Pension Liability	Airport's Proportionate Share of the Net Pension Liability	Airport's Total Payroll	Airport's Proportionate Share of the Net Pension Liability as a Percentage of Total Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
South Carolina Retirement System					
2015	0.042039%	\$ 7,972,899	\$ 5,972,314	133.5%	57.0%
2014	0.041344%	7,118,066	5,594,937	127.2%	59.9%
2013	0.041344%	7,415,639	5,251,528	141.2%	56.4%
Police Officers Retirement System					
2015	0.113490%	\$ 2,940,141	\$ 5,972,314	49.2%	64.6%
2014	0.114560%	2,193,168	5,594,937	39.2%	67.5%
2013	0.114560%	2,374,797	5,251,528	45.2%	63.0%

This data is presented for those years which information is available

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

JUNE 30, 2016 (UNAUDITED)

Fiscal Year	Actuarial Required Contribution	Actual Contributions	Contribution Deficiency (Excess)	Airport's Total Payroll	Contributions as a Percentage of Total Payroll
South Carolina Retirement System					
2016	\$ 513,824	\$ 513,824	\$ -	\$ 5,972,314	8.6%
2015	429,644	429,644	-	5,594,937	7.7%
2014	400,220	400,220	-	5,251,528	7.6%
Police Officers Retirement System					
2016	\$ 213,415	\$ 213,415	\$ -	\$ 5,972,314	3.6%
2015	188,544	188,544	-	5,594,937	3.4%
2014	172,838	172,838	-	5,251,528	3.3%

This data is presented for those years which information is available

SINGLE AUDIT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Greenville Spartanburg Airport District (the "Airport"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control over Financial Reporting

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

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

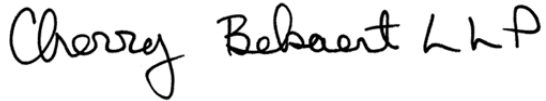
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

Greenville, South Carolina
October 12, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Greenville-Spartanburg Airport District's (the "Airport") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended June 30, 2016. 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 University'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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Cherry Bebaert LHP". The signature is written in a cursive, flowing style.

Greenville, South Carolina
October 12, 2016

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Project Number and Description (Notes 1 and 2)	CFDA Number	Total Project Costs Incurred		Total Federal Expenditures	Grant Status - Grant Funds Received from FAA		
		July 1, 2015 to June 30, 2016	Cumulative to June 30, 2016	July 1, 2015 to June 30, 2016	July 1, 2015 to June 30, 2016	Cumulative to June 30, 2016	Maximum Federal Participation
Department of Transportation - Airport							
Grant No. 3-45-0028-49 Apron Rehabilitation - (Constr) Phase I	20.106	\$ 4,024	\$ 2,938,968	\$ 3,475	\$ -	\$ 2,645,071	\$ 2,828,410
Grant No. 3-45-0028-50 Apron Rehabilitation - (Constr) Phase II	20.106	2,802,757	2,802,757	2,522,481	-	-	5,689,899
Grant No. 3-45-0028-51 Taxiway G Rehabilitation & Apron Rehabilitation (Design) Phase III	20.106	913,735	913,735	822,362	-	-	915,000
Total Department of Transportation		<u>3,720,516</u>	<u>6,655,460</u>	<u>3,348,318</u>	<u>-</u>	<u>2,645,071</u>	<u>9,433,309</u>
Transportation Security Administration	97.090	119,790	2,357,771	90,090	90,090	2,178,337	2,313,455
Total Federal Awards		<u>\$ 3,840,306</u>	<u>\$ 9,013,231</u>	<u>\$ 3,438,408</u>	<u>\$ 90,090</u>	<u>\$ 4,823,408</u>	<u>\$ 11,746,764</u>

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

YEAR ENDED JUNE 30, 2016

Note 1—Summary of significant accounting policies

Basis of Presentation – The accompanying schedule of expenditures of federal awards for the year ended June 30, 2016, for projects in effect from August 15, 2011 through June 30, 2016, was prepared using the accrual basis of accounting, taking into consideration costs incurred and payable at year end.

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

- a. Grant agreement dated June 3, 2014 (Project #3-45-0028-49), provides funds to rehabilitate the Terminal Apron. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs (60%) not to exceed \$2,828,410.
- b. Grant agreement dated June 30, 2015 (Project #3-45-0028-50), provides funds to rehabilitate the Terminal Apron Phase II. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs (60%) not to exceed \$5,689,899.
- c. Grant agreement dated August 18, 2015 (Project #3-45-0028-51), provides funds to rehabilitate the Terminal Apron Phase III and Taxiway G. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs (60%) not to exceed \$915,000.

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.

Note 2—Status of Projects

As of June 30, 2016, the following projects were open:

- Project #3-45-0028-49
- Project #3-45-0028-50
- Project #3-45-0028-51
- 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, 2016.

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GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

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

Noncompliance material to federal awards:

yes no

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance

yes no

Identification of major programs:

CFDA#
20.106

Program Name
Department of Transportation- Airport Improvement Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

Section II. Financial Statement Findings

No findings reported.

Section III. Federal Award Findings and Questioned Costs

No findings reported.

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

YEAR ENDED JUNE 30, 2016

Section IV. Summary of Prior Year Findings

There were no prior year findings.