

Richland-Lexington Airport District,  
South Carolina  
COLUMBIA METROPOLITAN AIRPORT

Comprehensive Annual  
Financial Report  
Year Ended December 31, 2014

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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YEAR ENDED DECEMBER 31, 2014  
WITH  
INDEPENDENT AUDITOR'S REPORT

Issued by:  
Finance Department

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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YEAR ENDED DECEMBER 31, 2014

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## INTRODUCTORY SECTION



## COLUMBIA METROPOLITAN AIRPORT... *Fly with ease.*

### Letter of Transmittal

May 12, 2015

To the Members of Richland-Lexington Airport District Commission

We are pleased to submit the "Comprehensive Annual Financial Report" of the Richland Lexington Airport District, South Carolina (the "District") for the Fiscal Year Ended December 31, 2014 (FY 2014). This report contains a comprehensive analysis of the District's financial position and activities for the period and is presented in four sections: 1) Introductory Section, consisting of this transmittal letter along with a listing of District officials and its organizational structure; 2) Financial Section, consisting of the independent auditor's report, management's discussion and analysis, basic financial statements, notes to the financial statements, required supplemental information, and detailed revenue and expense schedules; 3) Statistical Section, consisting of pertinent financial, non-financial, and general information indicating trends for comparative fiscal periods; and 4) Single Audit Section, which contains reports on internal controls and compliance with applicable laws and regulations. Since the District is not funded by *ad valorem* property taxes, schedules of property tax data are not included in the Statistical Section of the report.

Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. We believe the enclosed information is accurate in all material aspects, and that it is presented in a manner designed to fairly set forth the financial position and results of operation of the District in accordance with generally accepted accounting principles (GAAP) in the United States of America; and that all disclosures necessary to enable the reader to gain an understanding of the District's financial activity have been included. Management has established and maintains a system of internal control to provide for this assurance.

The District's annual financial statements have been audited by the independent certified public accounting firm of Robert E. Milhous, C.P.A., P.A. and Associates of Columbia, South Carolina. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has rendered an unmodified opinion on the District's financial statements for the year ended December 31, 2014.

The independent auditor also conducted an audit on the District's Major Federally-funded programs and awards mandated by the Single Audit Act of 1996 and the OMB Circular A-133, designed to meet the special needs of Federal grantor agencies. The standards governing the "Single Audit" engagement require the auditor to report not only on the fair presentation of the District's annual financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of Federal awards. These reports are included in the Supplementary Federal Financial Assistance Reports Section of this report.

## **Profile of the Government**

The District was created in 1962 as a political subdivision of the state of South Carolina and operates the Columbia Metropolitan Airport (the "Airport") in the unincorporated area of Lexington County, South Carolina. The District operates as a special-purpose entity under the laws of the state of South Carolina and is governed by an appointed commission.

Policy making and legislative authority are vested with the District's Commission which consists of twelve members - five members are nominated by the Lexington County Legislative Delegation, five members are nominated by the Richland County Legislative Delegation, and two members are nominated by the City of Columbia Council. Following nomination, the Governor of the state of South Carolina appoints the members to serve a term of four years.

The District's Commission is responsible, among other things, for hiring the executive director and selecting the independent auditor to audit the annual financial statements. The Airport's Executive Director is responsible for carrying out the policies and ordinances of the District's Commission and to oversee the day-to-day operations of the Airport through the appointment of staff to head various divisions – Human Resources, Marketing, Planning / Facilities, Public Safety and Finance / Administration. The District has approximately 61 employees.

A listing of the Commission members and an organizational chart immediately follows this letter.

## **Factors Affecting Financial Condition**

Accounting standards require management of the District to prepare a narrative introduction, overview, and analysis to accompany the basic financial statements. Management's Discussion and Analysis (the "MD&A") is part of the Financial Section of this report. It contains a discussion of the District's current financial statements and activities for the year ended December 31, 2014, and can be found immediately following the *Independent Auditor's Report*. However, the information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the District operates as outlined below.

### *The Airport*

The Airport is comprised of approximately 2,600 acres and is located within the greater metropolitan area of Columbia, South Carolina. The Airport's facilities include two runways (11/29 and 5/23) with lengths of 8,601 and 8,001 feet, respectively; a passenger terminal with 13 aircraft parking positions; parking facilities for 3,180 automobiles; a 108-acre parcel designated as a Foreign Trade Zone with multi-purpose commercial buildings totaling 86,926 square feet; a 448-acre parcel designated for industrial development (CAE Park); two fixed based operators (FBO's) which provide general aviation services; maintenance facilities; and other related facilities and equipment to support public airway travel.

### *Local Economy and Air Service Area*

The air service area consists of an eleven (11) county area of central South Carolina - Richland, Lexington, Calhoun, Clarendon, Fairfield, Kershaw, Lee, Newberry, Orangeburg, Saluda, and Sumter. The City of Columbia is the center of the air service area. The estimated population of the area in Fiscal Year 2014 was approximately 1,085,000. The economy of the air service area is diverse with approximately 55.2% of total employment being with healthcare, education, manufacturing, and government.

### Airlines

As of December 31, 2014 the following air carriers presently serve the Airport through a variety of operators that change periodically:

#### Passenger Airlines:

Delta Airlines, Inc.; American Airlines (through merger with US Airways); and United Airlines.

#### Cargo Airlines:

Federal Express, Inc.; Mountain Air Cargo; United Parcel Service Co. and affiliated carriers.

Delta Air Lines and its 'code-sharing' affiliated airlines continue to account for the majority of passengers at approximately 42.03% of total 2014 enplaned passengers at the Airport. In 1996, United Parcel Service opened a regional package sorting and distribution facility adjacent to the Airport and currently accounts for approximately 15.54% of the airline operations (UPS and feeder carriers) at the Airport.

### Airline Agreements

Airline use agreements were completed in October 2009, and were effective January 1, 2010 and terminated December 31, 2014. The agreements were a hybrid of both residual and compensatory rate-setting methodologies. They provided for the allocation of costs into different cost centers to determine the airline's rates and charges. The airfield was a fully residual cost center, while the terminal was compensatory. The agreements included an airline security reimbursement fee in addition to the landing fee and terminal rents paid by the airlines. The agreements also contained provisions for revenue sharing (50% to airlines and airport) and deficit responsibilities (100% to the airlines) based on the results of each year.

Management has negotiated successor agreements with a three-year term effective January 1, 2015. These agreements are materially similar to the previous ones, with the exception of eliminating reserve funding.

Additionally, and pursuant to certain awards by the Federal Aviation Administration (FAA) of the U.S. Department of Transportation, the District has been given the authority to collect and use a \$4.50 per passenger facility charge (PFC's) for a total of \$70,528,884 during the duration of the program. PFC's are collected by the air carriers serving the Airport and are remitted monthly, less a prescribed airline administrative cost. The FAA maintains rules and regulations governing the collection and use of the PFC's.

### Internal Control

The District's management appreciates the necessity for a comprehensive framework of internal control as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). To that end, we endeavor to maintain a control environment that supports continuous risk assessment, the proper control activities, reliable and secure information and communication, and appropriate monitoring to ensure the effectiveness and efficiency of our operations, the reliability of our financial reporting, and our compliance with applicable laws and regulations.

### Parking Management Agreement

During 2002, the District entered into a contract with Republic Parking System, Inc. to manage the operations of the Airport's public parking facilities. The agreement expired on May 31, 2012 and the District exercised the option per the contract to extend the agreement for an additional five years, terminating on May 31, 2017.

### Rental Car Concession Agreements

The District has entered into substantially similar concession agreements with "on-Airport" rental car companies - Avis, Hertz, Budget, National, Thrifty, Dollar, and Enterprise effective February 1, 2010. These agreements were amended in 2014 with changes to the term, ready return facility, and project debt service element. The agreements will terminate the later of January 31, 2019 or the date on which the District's Series 2001A or subsequent refinancing bonds are satisfied.

The rental car companies pay rent to the District for "on-Airport" counter and ready-return parking spaces, and sales commissions. Additionally, pursuant to certain amendments to the Rental Car Concession Agreements, a \$6.00 per customer per day contract facility charge (CFC's) is collected by the rental concessionaires and remitted to the District monthly. The daily CFC provides for the debt service, rent, and annual operations and maintenance expenses associated with the consolidated service facility.

### Other Terminal Concession Agreements

The District maintains several space and sales concession-based lease agreements with concessionaires for food, beverage, retail services and a USO station in the terminal building.

### **Budgetary and Accounting Procedures**

The District operates under a January 1 to December 31 fiscal year. During the summer of each year, the District begins preparation of its annual budget. The Director of Finance and Administration, with input from the department heads, prepares a draft of the budget in report form which is submitted to the Commission's Finance Committee for initial review.

During the budget process, the Executive Director and Director of Finance and Administration make the proposed budget and proposed rates available to the signatory airlines for comment and consultation. A final budget is approved by the Commission prior to the beginning of the new fiscal year.

All financial activities of the District are accounted for within a single proprietary (enterprise) fund, which reflects the District's net position, revenues, expenses, and changes in net position using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned, and expenses are recognized when incurred. Detailed descriptions of the budgetary process and the significant accounting policies of the District are included in the Notes to Financial Statements.

### **Acknowledgements**

The preparation of this report could not be accomplished without the dedicated endeavors of the Finance and Administration Department.

Respectfully submitted,



Gregory K. Hornsby, CPA  
Director of Finance and Administration

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
LIST OF PRINCIPAL OFFICIALS  
DECEMBER 31, 2014

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**Members of the Commission**

David N. Jordan, Chairman  
James A. Compton, Vice Chairman  
Dan P. Bell  
Hazel L. Bennett  
Duane Cooper  
Jerrod F. Howard  
Larry L. Koester  
Richard N. McIntyre  
Anne M. Sinclair  
F. Xavier Starkes, Esq.  
James L. Whitmire  
Roxanne Wilson

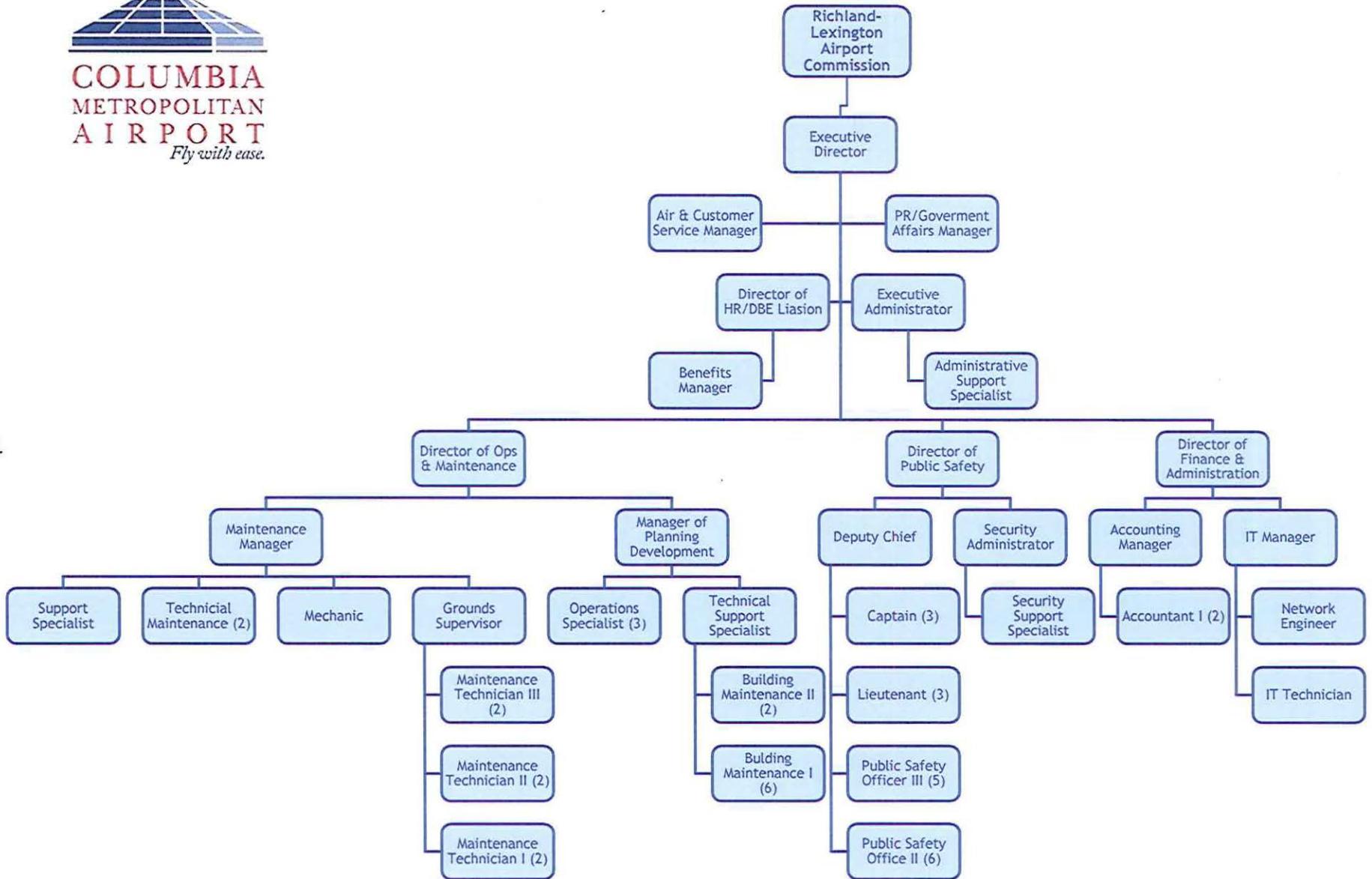
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**Administrative Officials**

Dan Mann, A.A.E., Executive Director  
Randy Blackmon, Director of Public Safety  
Chappelle Broome, PHR, MHRM, MHRD, Director of Human Resources/DBE Liaison Officer  
Lynne Douglas, Air Service/Customer Service Manager  
Michael Gula, A.A.E., Director of Operations and Maintenance  
Kaela Harmon, C.M., Public Relations/Government Affairs Manager  
Gregory K. Hornsby, C.P.A., Director of Finance & Administration



## ORGANIZATIONAL CHART - 2014



FINANCIAL SECTION

# ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

*A Professional Association Of*

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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*Columbia*

Phone: (803) 772-5300

*Myrtle Beach/Conway*

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## REPORT OF INDEPENDENT AUDITOR

The Honorable Chairman and Members of the Airport Commission  
Richland-Lexington Airport District, South Carolina

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Richland-Lexington Airport District, South Carolina (the "District"), and the related notes to the financial statements, which collectively comprise the District'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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

— CONTINUED —



## **Opinion**

### ***Unmodified opinion***

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Richland-Lexington Airport District, South Carolina, as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Emphasis of Matter***

The financial statements for the District as of and for the year then ended December 31, 2013, were audited by other auditors whose report dated May 19, 2014, expressed an unmodified opinion on those financial statements. As discussed in *Note 1* to the financial statements, the 2013 financial statements have been restated to correct a misstatement on reporting aviation easements. As part of my audit of the 2014 financial statements, I also audited the adjustments described in *Note 1* that were applied to restate the 2013 financial statements. In my opinion, such adjustments are appropriate and have been properly applied. I was not engaged to audit, review, or apply any procedures to the 2013 financial statements of the District other than with respect to the adjustments and, accordingly, I do not express an opinion or any other form of assurance on the 2013 financial statement.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis and the Required Supplemental Information, as listed in the table of contents, 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information, as outlined in the table of contents as Other Financial Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents as Supplementary Federal Financial Assistance Reports, including the Schedule of Expenditures of Federal as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Passenger Facility Charge (PFC's) and Expenses as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

***Introductory and Statistical Information***

The introductory and statistical sections of this report, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any of assurance on this information.

***Summarized Comparative Information***

Except as previously noted above about the 2013 financial statement's restatement, the prior year summarized comparative information presented in the basic financial statements and schedules hereto, has been derived from the District's 2013 audited financial statements.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated April 27, 2015 on my consideration of the District's internal control over financial reporting and on my 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 my 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 District's internal control over financial reporting and compliance.



April 27, 2015  
Columbia, South Carolina

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2014

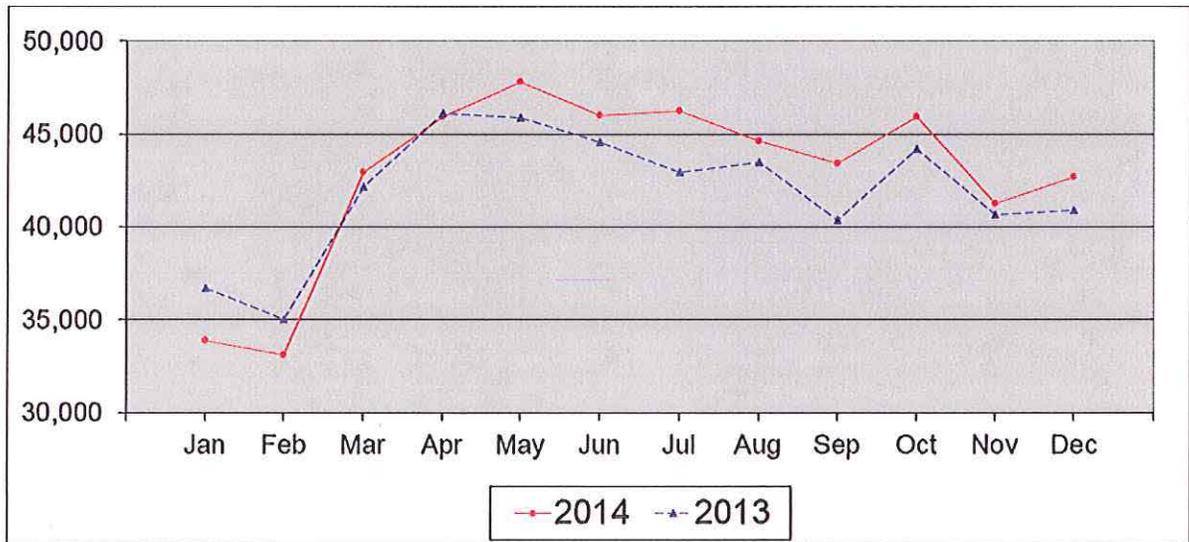
### Introduction

The Richland Lexington Airport District, South Carolina, is pleased to present its Annual Financial Report in accordance with Statement of Governmental Accounting Standards No. 34, entitled *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments* (GASB 34). Below is management's required discussion and analysis.

### Operating and Financial Highlights

The District's year ending December 31, 2014 continued the positive trend of increased enplanements started in 2012. Seat capacity declined slightly by 1.7%, however, the load factors (number of passengers compared to seats) increased from 75% to 78%. The following are key operational and financial highlights:

- 513,769 passengers were enplaned in fiscal year 2014, which was a 2.16% increase over the 502,924 passengers enplaned in fiscal year 2013. Air service averaged 36 daily flights each month. Enplanements by month are shown in the following chart.



## **Operating and Financial Highlights (continued)**

- Operating revenues were \$16.9 million.
- Operating expenses before depreciation were \$11.1 million, which was a 0.05% increase from fiscal year 2013.
- Net change in net position as a ratio to the total of net operating revenue, non-operating revenues, and capital contributions was 2.20% in fiscal year 2014, a decrease from 24.79% achieved in fiscal year 2013.
- Debt service coverage ratio on the annual debt service requirement as computed per the District's Indenture of Trust was 194%, which exceeded the required Revenue Bond covenants.
- The total of cash and cash equivalents and temporary investments (not including restricted assets of the same description) increased by \$2.5 million in fiscal year 2014.
- Total assets and deferred outflows at December 31, 2014 were \$170.6 million and were in excess of liabilities by approximately \$107.0 million (i.e. net position). The net position is comprised of \$86.7 million invested in capital assets (net of related debt), \$8.7 million in net position that are restricted for debt service, projects, and other purposes, and \$11.6 million that is unrestricted.
- The District capitalized \$4.0 million as a transfer from construction in progress to capital assets for airfield and building projects.
- Long-term debt activity was comprised of the scheduled annual payments of \$3.5 million in bond principal, \$2.8 million of defeasance, \$3 million of advance principal payments, and \$4.8 million of refunding debt principal in November 2014.
- The District's net position improved from 2013. Total assets decreased from 2013 balances, while the long-term debt to equity ratios improved. The increase in net position is primarily attributable to improved operational activity and Federal grant capital contributions received during 2014.

## **Overview of Annual Financial Report**

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

The District's financial statements include Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and Notes to Financial Statements. The statements of net position present the financial position of the District on a full accrual historical cost basis. While the statements of net position provide information about the nature and amount of resources and obligations at the end of a year, the statements 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.

## **Overview of Annual Financial Report (continued)**

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. These statements also provide certain information about the District's recovery of its costs.

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the timing 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 District's accounting policies, significant account balances, activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The financial statements were prepared by the District's staff from the detailed books and records of the District. The financial statements were audited during the independent external audit process performed by Robert E. Milhous, C.P.A., P.A. and Associates of Columbia, South Carolina.

## **Summary of Organization and Business**

The District is described in *Note 1* of the Notes to Financial Statements.

The District has entered into substantially similar Airport Use and Lease Agreements (the "Airline Agreements") with Delta Air Lines, Inc., US Airways, United Airlines, United Parcel Service and Federal Express (the "Signatory Airlines"), containing substantially similar provisions, and are described in *Note 5*. Each Airline Agreement expires on December 31, 2014. Management and the Signatory Airlines have negotiated successor agreements effective January 1, 2015, which is discussed in *Note 17*.

Revenues generated from landing fees, terminal rentals, and airline security reimbursement fees are derived primarily from the Signatory Airlines under the Airline Agreements. In general, the current Airline Agreements are a hybrid of both residual and compensatory ratemaking methodologies for the airfield and terminal cost centers, respectively. The non-airline cost centers are: Parking & Roadways, Cargo, Rental Cars, Other Leased, and Indirect. The airport's cost of operation and maintenance ("O&M") and capital expense are allocated to the seven cost centers based upon management's estimate of time and resources spent on each cost center. Capital expense is also allocated to the different cost centers based upon the benefit derived by each cost center from the airport's assets and any debt associated with its acquisition.

The airfield cost center is residual, meaning that the airlines completely underwrite the cost of operating the airfield with no profit opportunity or risk for the District. The terminal cost center is compensatory, meaning that the airlines pay only for the cost of operating the airline areas. The airlines lease preferential space (ie: ticket counters, offices, etc) and are allocated common space (ie: terminal and concourse) used by their passengers.

## **Summary of Organization and Business (continued)**

Airlines are either signatory parties to the agreement, or non-signatories. Signatory airlines participate in a defined distribution of net revenues or revenue deficits, depending on the annual results of the District's operations through December 31, 2014. Non-signatory airlines do not have the risks or potential rewards associated with the agreement and are granted a permit to operate, which may be terminated with 30-days-notice. Additionally, the rates applied to non-signatory airlines include a twenty-five percent (25%) premium over signatory rates.

Passenger air carriers include operators for Delta Airlines, American Airlines, US Airways, and United Airlines. Cargo air carrier services are provided by United Parcel Service and affiliated "feeder" airline carriers, Federal Express, and Mountain Air Cargo. Of these carriers, American Airlines, Mountain Air Cargo, and the UPS "feeder" airlines were non-signatory airlines in 2014.

Non-airline customers and tenants include a retail concessionaire, a food concessionaire, a travel agency, rental car agencies, a military support service, federal and state government agencies, corporate aviation, fixed-based operators and an aircraft maintenance organization.

In July 2013, the District purchased commercial rental property located near the airport to enhance the diversity of its revenue sources. These buildings had been owned by a separate entity previously party to a long-term ground lease with the District. The property is a combination of office, warehouse, and flexible-use spaces with tenants whose lease terms vary from 3 – 6 years.

The District also owns an industrial park adjacent to the Airport. The park is 439 acres, with 153 acres sold by the District to Lexington County in 1999 and 2000. The park is occupied by Flextronics (computers), Akebono (automotive), Allied Air (construction), Beverage South (distribution), CEE-US (utilities), L & L Products (automotive), and Harsco Rail (transportation). The remainder of the park is available for future aviation-related development, and sale.

## Financial Analysis

The following condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring, and planning. Certain prior year balances have been restated, which are discussed in *Note 16*. Comments regarding year-to-year variances are included in each section by the name of the statement or account.

### CONDENSED STATEMENTS OF NET POSITION

	December 31, 2014	Restated December 31, 2013
<b>Assets and Deferred Outflows:</b>		
Current assets (unrestricted)	\$ 11,577,310	\$ 9,614,667
Current assets (restricted)	9,746,943	14,665,212
Capital Assets, net	146,766,540	151,878,366
Other assets , net	1,872,516	1,952,907
Deferred Outflows	628,570	461,006
<b>Total Assets and Deferred Outflows</b>	<b>\$ 170,591,879</b>	<b>\$ 178,572,158</b>
<b>Liabilities:</b>		
Current liabilities (unrestricted)	\$ 577,435	\$ 535,255
Current liabilities (payable from restricted assets)	4,954,391	7,105,198
Non-current liabilities	58,091,829	64,495,582
<b>Total Liabilities</b>	<b>63,623,655</b>	<b>72,136,035</b>
<b>Net Position:</b>		
Net investment in capital assets	86,716,006	83,323,443
Restricted	8,660,636	12,568,578
Unrestricted	11,591,582	10,544,102
<b>Total net position</b>	<b>106,968,224</b>	<b>106,436,123</b>
<b>Total Liabilities and net position</b>	<b>\$ 170,591,879</b>	<b>\$ 178,572,158</b>

#### Statements of Net Position

The District's liquidity improved in 2014. The current ratio (current unrestricted assets divided by current unrestricted liabilities) increased to 20.05 from 17.96 in 2013, due largely to the increase in unrestricted cash.

The total of current asset cash and temporary investments increased by \$2.5 million. The District had 214.40 days cash on hand to meet operating and debt service funding needs, as compared to 189.25 days in 2013. See *Note 3* for a detailed discussion of deposits and temporary investments.

Statements of Net Position (continued)

Accounts receivable, net are comprised of trade receivables from airlines, tenants, parking and concessionaires increased by \$78,865. The number of days of operating revenue in receivables (excluding the effects of the year end signatory airline reconciliation from both revenue and receivables) decreased to 29.41 from 30.73 in 2013. Additionally, the note receivable related to a prior year real estate transaction decreased by \$7,311. A summary of receivables is presented in *Note 4*.

The amount due from signatory airlines decreased by the 2014 rebate of \$629,067. Management and the airlines have agreed to “net” the previous receivable with the 2014 reconciliation, which has resulted in a net payable of \$39,887 at December 31, 2014. It is the final settlement of the Signatory Airline agreement that terminated on this same date. The signatory airline contracts are discussed in *Note 5*.

The balances for the total of accrued interest receivable, inventory, and prepaid expenses have declined from the 2013 balances.

The total of restricted cash and temporary investments decreased by \$3.4 million in 2014. The most significant change affecting these balances is related to the use of Contract Facility Charge (CFC) funds to defease approximately \$1.4 million of Series 2001A Revenue bonds and \$1.5 million of Series 2013 G.O. bonds. Additionally, \$.3 million has been expended to fund the public parking garage improvements for a rental car ready return facility. These transactions are pursuant to the 2014 renegotiated rental car agreements.

Restricted cash and cash equivalents includes a \$1.0 million reclassification of “Other Funds Available” from current “unrestricted” cash and cash equivalents to the restricted asset of the same name for the purpose of computing debt service coverage. A summary of this computation is presented in the “Schedule of Debt Service Coverage.”

Grant funds receivable decreased from the prior year by approximately \$1.5 million. The decrease is primarily due to the completion of several grant-funded construction projects during 2014.

Capital assets net of accumulated depreciation decreased by approximately \$5.1 million. Asset increases of \$4.4 million were offset by depreciation expense of \$9.5 million. A reconciliation of all changes to capital assets is provided in *Note 6*, and a brief description of the capital asset activities is provided below.

Funded by Airport Improvement Program grants (AIP#s 41, 43, & 43), the District added \$3.0 million of assets to the airfield and terminal consisting of runway safety area improvements, taxiway and road rehabilitation, airfield signage, and perimeter fence upgrades. Self-funded projects added \$1.4 million of assets to the terminal, Foreign Trade Zone and cargo buildings, and land. The District also retired \$.4 million of fully depreciated equipment through sales to the public and other governmental entities.

Other Assets includes a restatement of 2013 balances upon implementation of GASB 51. The avigation easements associated with the FAA Noise Program improvements to nearby homes affected by air traffic noise have an indefinite life, and have been reclassified as capital assets, with no amortization of their cost. The required restatement entries have been applied to Capital assets, Other assets, and Net Position elements. Further discussion and details of the restatement are provided in *Note 16*, and a description of Other assets is provided in *Note 8*.

Statements of Net Position (continued)

Deferred outflows consist of losses on debt refunding. The District refunded the outstanding balance of the Series 2001A Revenue bond debt in 2014, generating an additional \$0.2 million loss in accordance with GASB 65. Further details regarding this refunding can be found in *Note 7* of the financial statements.

Current “unrestricted” liabilities increased by approximately \$42,000, due primarily to the Amounts due to airlines – signatory rebate, discussed above.

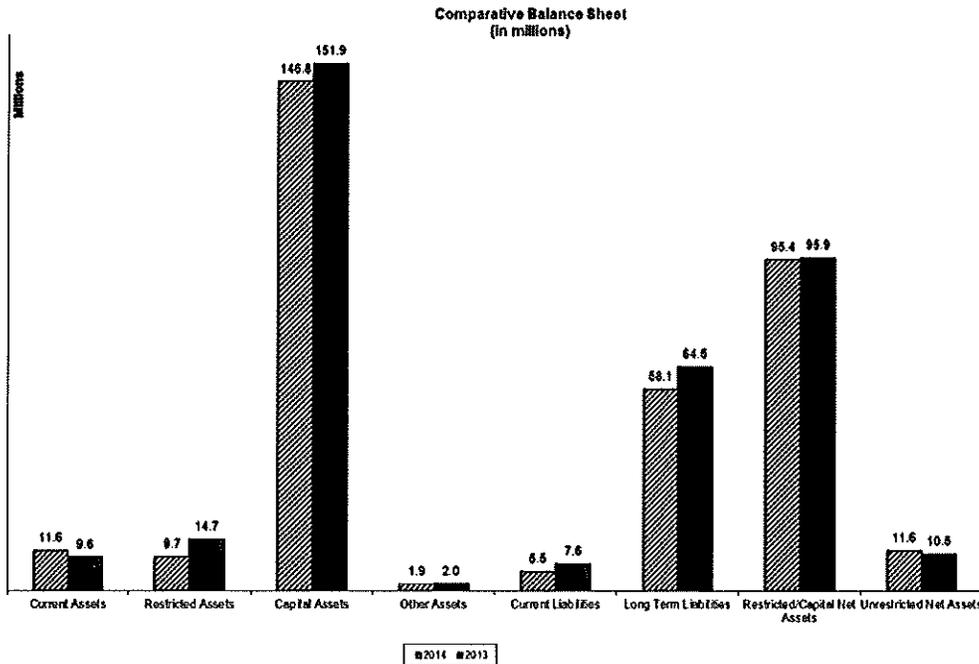
Current liabilities payable from restricted assets includes construction project payables, which decreased by \$1.7 million due to the completion of several large projects in 2014.

Compensated absences which had previously been reported as a current liability are reported as a non-current liability pursuant to GASB 16.

Bonds payable in total (current and non-current) decreased by \$6.8 million. This was the result of \$3.5 million in scheduled payments, \$3.1 million in defeasance of Series 2001A Revenue bonds, Series 2013 General Obligation bonds and the Airport Special Facility bond, and the issuance of \$4.8 million of Series 2014A and 2014B refunding bonds. Bond activity is detailed in *Note 6* of the financial statements.

No changes to the retiree health benefit were made in 2014, and the liability at December 31, 2014 increased \$0.2 million from 2013. Further discussion of this subject is presented in *Note 12*.

Total net position increased by \$.5 million. The total of Restricted and Capital net position decreased by \$.5 million and is by a \$1.0 million increase in unrestricted net position. See *Note 10* for a comparative summary of net position components.



**CONDENSED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

	<b>Years Ended December 31,</b>	
	<b>2014</b>	Restated <b>2013</b>
Operating revenues (before Signatory Airline rebate)	\$ 17,521,957	\$ 15,817,009
Signatory Airline rebate	(629,067)	(330,058)
<b>Net Operating Revenues</b>	<b>16,892,890</b>	<b>15,486,951</b>
Operating expenses (before depreciation)	11,108,012	11,102,338
Depreciation	9,510,939	8,997,818
<b>Total Operating Expenses</b>	<b>20,618,951</b>	<b>20,100,156</b>
Loss from operations	(3,726,061)	(4,613,205)
Net non-operating revenues	1,677,753	1,145,121
Capital contributions	2,580,409	11,236,146
<b>Net Change in Net Position</b>	<b>\$ 532,101</b>	<b>\$ 7,768,062</b>

**CONDENSED STATEMENT OF REVENUES AND CONTRIBUTIONS**

	<b>Years Ended December 31,</b>	
	<b>2014</b>	Restated <b>2013</b>
Landing fees	\$ 3,009,351	\$ 2,784,743
Leased sites	7,800,949	6,782,216
Terminal rent	6,419,463	5,918,191
Passenger Facility Charges (PFC's)	1,998,621	1,965,937
Contract Facility Charges (CFC's)	2,648,727	2,560,602
Capital contributions	2,580,409	11,236,146
Interest income	61,590	84,390
Other (Operating & Non-Operating)	322,194	331,859
Signatory Airline (rebate) surcharge	(629,067)	(330,058)
<b>Total Revenues and contributions</b>	<b>\$ 24,212,237</b>	<b>\$ 31,334,026</b>

*Operating Revenues*

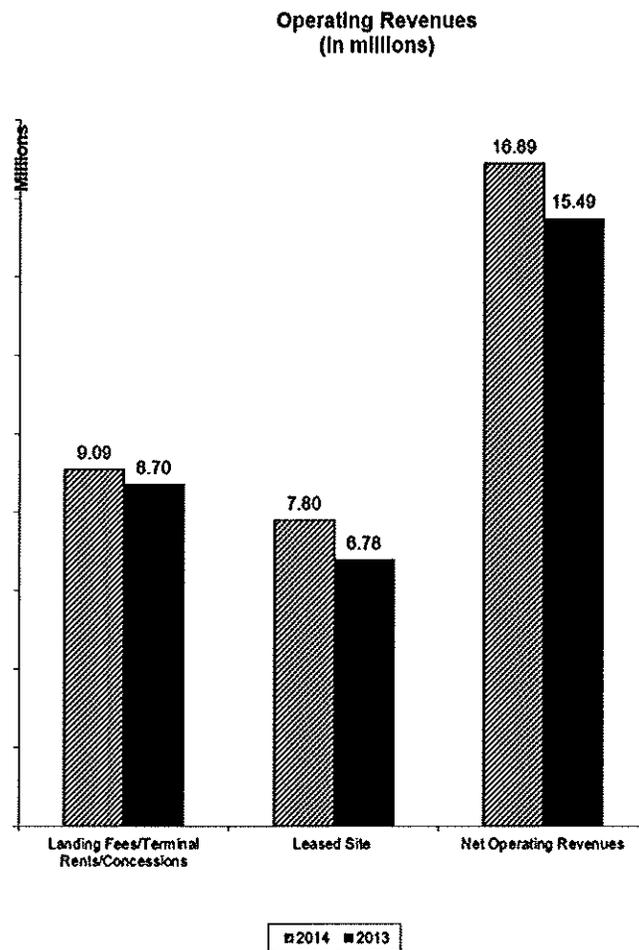
Revenue from operations is comprised of airfield landing fees, tenant rentals, airline security reimbursement fees, parking, concessions, commercial rentals, and a small amount of other revenue. Total operating revenue of approximately \$17.5 million is a \$1.7 million increase from the 2013 amount. This results from a \$.9 million increase in parking and a full year of commercial rental revenue along with increased airline revenue.

Operating Revenues (continued)

The Signatory Airline rebate is considerably more in 2014 than 2013, due to higher than expected airline billings in the terminal and a higher level of revenue sharing between the District and the Signatory Airlines. With the consent of the signatories, the 2012 – 2014 surcharge and rebates have been consolidated to produce a final “net” rebate of approximately \$40,000 as shown in the Current Liabilities section of the Statement of Net Position.

The 2014 airline rates were: landing fees of \$2.93 per 1,000 lbs of certificated landed weight, terminal rental rates of \$35.68 per square foot, and security fee reimbursement of \$1.34 per enplaned passenger.

Parking rates remained a maximum of \$8.00 per day for surface parking, \$12.00 per day for the garage, and \$14.00 per day for valet parking services.



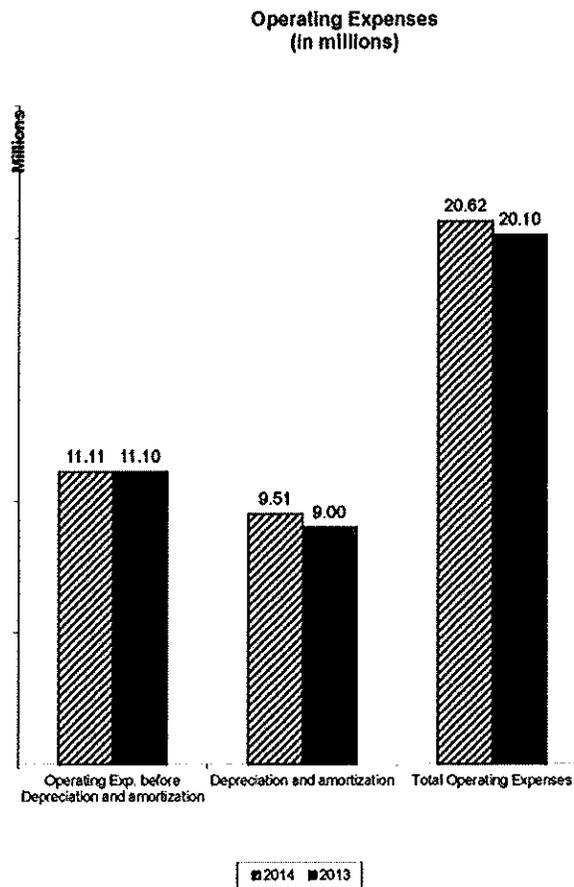
## CONDENSED STATEMENT OF EXPENSES

	Years Ended December 31,	
	2014	Restated 2013
Operating expenses	\$ 20,618,951	\$ 20,100,156
Non-operating expenses	3,061,185	3,465,808
Total Expenses	\$ 23,680,136	\$ 23,565,964

### Operating Expenses

The District's expenses are comprised of the following: salaries and benefits, supplies, airport operations, travel and education, outside professional services, marketing, and depreciation. Operating expenses before depreciation were \$11.1 million, materially consistent with the 2013 amount.

Depreciation expense of \$9.5 million was an increase of \$.5 million from 2013, related to several construction projects which were placed in service, and a full year depreciation on the commercial rental property purchased in 2013.



Non-Operating Revenues and Expenses

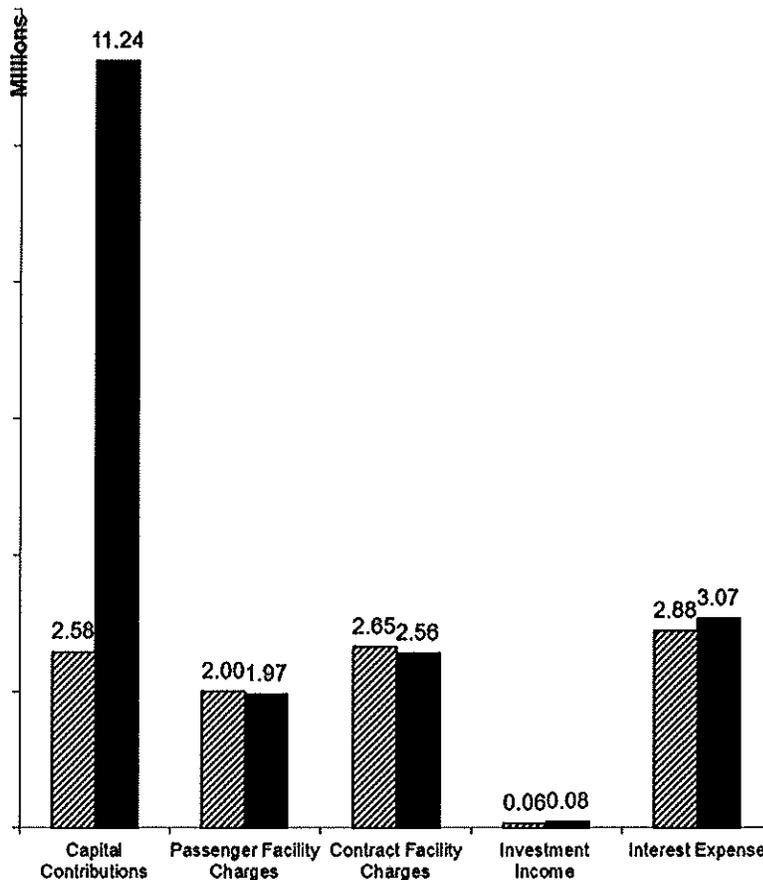
Non-operating revenues and expenses is comprised of Passenger and Contract Facility Charges (PFC's and CFC's, respectively), investment income, interest expense, and other income and expense items.

PFC revenue of \$2.0 million was a slight increase from 2013, and CFC revenue of \$2.6 million was \$.1 million more than 2013 collections. The change in both revenues approximate the previously discussed enplanement trend.

Investment income of \$62,000 was approximately 27% less than 2013 income. Interest expense was \$0.2 million less than the previous year. This decrease is due to both the savings from the 2013 partial refinancing of the Series 2001A bonds and refinancing activity in 2014. Additional detail of the 2014 bond payable activity is provided in *Note 7*.

Airport Improvement Program (AIP) grant revenue from the Federal Aviation Administration (FAA) was \$2.6 million. These funds are reimbursement for projects discussed previously.

**Non-Operating  
Revenues/ Expenses  
(in millions)**



## General Trends and Significant Events

Enplaned passenger traffic for 2014 was 2.16% higher than 2013, which continues the slow improvement in traffic from 2012. While seat capacity was slightly lower from 2013, the demand for seats as quantified by load factor has improved. This trend bodes well as Management competes with other airports for additional seat capacity from either larger aircraft or additional service.

Operating expense levels (excluding depreciation) were consistent with 2013. Management continues to utilize outsourcing for some of the preventive and technical maintenance requirements as part of its cost control measures.

Non-operating interest expense on bonds payable has been impacted this year as management refinanced the Series 2001A Revenue Bonds with a direct placement borrowing that will produce significant savings over the next ten years. Additionally, the Series 2004 bonds were refinanced in the same manner in March 2015. These are discussed more in *Notes 7 and 17*.

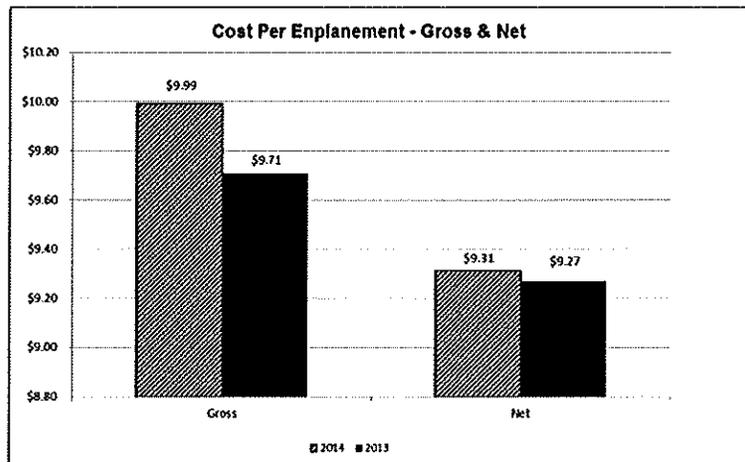
Several significant contractual relationships were also affected in 2014. Among them were:

The Signatory Airline contracts were renewed for a three year period ending December 31, 2017. These new agreements eliminate future funding of the operating and capital reserves and contain one final settlement at the agreements' end, rather than annual settlements.

The rental car agreements have been amended for a longer term and allow the "ready return" cars to be located in the lower level of the parking garage. This change is directly related to the partial defeasance of both Series 2001A Revenue and Series 2013 General Obligation Bonds, as well as the refinancing the balance of the Series 2001A bonds.

Management has assumed the responsibilities of the previously outsourced indoor advertising and commercial property management service.

The Cost per Enplanement is materially consistent from 2013, as shown below. As noted earlier, operating expenses were very consistent, but the 2014 debt service increased. Interest savings produced from the Series 2004 Refunding and Series 2005 Refunding Bonds were aggregated in a five year period that ended in 2013. The 2014 debt service allocated to the airline cost centers increased by \$1.08/enplanement, but a decrease in other allocated cost and an increase in revenue sharing moderated the debt service impact.



**Final Comments**

The District's financial position improved in 2014, as evidenced by an increase of unrestricted days cash on hand, a reduction of days revenue in accounts receivable, and a lower debt to equity(net position) ratio. Combined with the operational improvements of increased enplanements and load factors, the District is well positioned to continue providing high quality service to the passengers, airlines, and tenants at Columbia Metropolitan Airport.

AUDITED BASIC FINANCIAL STATEMENTS

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF NET POSITION

DECEMBER 31, 2014

(With comparative amounts at December 31, 2013)

	2014	Restated 2013
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Cash and cash equivalents	\$ 1,878,273	\$ 843,221
Temporary investments	7,553,136	6,041,418
Accounts Receivable, net	1,411,698	1,332,833
Notes receivable	202,991	210,302
Amount due from signatory airlines - surcharge	-	589,180
Accrued interest receivable	-	738
Inventory	194,844	222,593
Prepaid expenses	336,368	374,382
	11,577,310	9,614,667
Restricted assets:		
Cash and cash equivalents	4,393,300	6,863,344
Temporary investments	5,190,871	6,118,980
Grant funds receivable	162,772	1,682,888
	9,746,943	14,665,212
Total current assets	21,324,253	24,279,879
Non-current assets:		
Capital assets:		
Capital assets, net of depreciation	127,188,516	131,647,490
Capital assets not subject to depreciation	19,578,024	20,230,876
Total capital assets, net	146,766,540	151,878,366
Other assets:		
Other assets, net	1,872,516	1,952,907
Total other assets	1,872,516	1,952,907
Total non-current assets	148,639,056	153,831,273
Total assets	169,963,309	178,111,152
<b>Deferred Outflows of Resources</b>		
Deferred losses on bond refundings, net	628,570	461,006
Total assets and deferred outflows of resources	\$ 170,591,879	\$ 178,572,158

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF NET POSITION

-CONTINUED-

	2014	Restated 2013
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 404,621	\$ 368,038
Accrued payroll and withholdings	39,625	46,713
Unearned revenue	87,212	100,942
Amounts due to airlines - signatory rebate	39,887	-
Amount due to others	6,090	19,562
	<b>577,435</b>	<b>535,255</b>
Current liabilities payable from restricted assets:		
Construction project payable	334,611	2,073,019
Bonds payable - current portion	3,281,060	3,466,663
Accrued interest payable	1,338,720	1,565,516
	<b>4,954,391</b>	<b>7,105,198</b>
Total current liabilities	<b>5,531,826</b>	<b>7,640,453</b>
Non-current liabilities:		
Compensated absences	188,610	185,688
Bonds payable	56,434,863	63,015,241
OPEB obligation	1,468,356	1,294,653
Total non-current liabilities	<b>58,091,829</b>	<b>64,495,582</b>
Total liabilities	<b>63,623,655</b>	<b>72,136,035</b>
Net Position:		
Net investment in capital assets	86,716,006	83,323,443
Restricted for:		
Capital projects	162,772	1,682,888
Debt service	5,174,291	6,118,980
Other purposes	3,323,573	4,766,710
Unrestricted	11,591,582	10,544,102
Total net position	<b>106,968,224</b>	<b>106,436,123</b>
Total liabilities and net position	<b>\$ 170,591,879</b>	<b>\$ 178,572,158</b>

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2014

(With comparative amounts year ended December 31, 2013)

	2014	Restated 2013
<b>Operating Revenues</b>		
Airfield landing fees	\$ 3,009,351	\$ 2,784,743
Leased sites	7,800,949	6,782,216
Terminal rents and commissions	6,419,463	5,918,191
Other	292,194	331,859
Total operating revenue before Signatory Airline rebate	<u>17,521,957</u>	<u>15,817,009</u>
Signatory Airline rebate	(629,067)	(330,058)
Net operating revenues	<u>16,892,890</u>	<u>15,486,951</u>
<b>Operating Expenses</b>		
Salaries and employee benefits	5,938,580	6,062,306
Supplies	126,183	127,657
Airport operations	3,971,416	3,810,784
Travel and education	295,669	259,710
Outside professional services	216,232	218,604
Marketing	559,932	623,277
Depreciation	9,510,939	8,997,818
Total operating expenses	<u>20,618,951</u>	<u>20,100,156</u>
Loss from operations	<u>(3,726,061)</u>	<u>(4,613,205)</u>
<b>Non-operating Revenues (Expenses)</b>		
Passenger Facility Charges (PFC's)	1,998,621	1,965,937
Contract Facility Charges (CFC's)	2,648,727	2,560,602
Interest income	61,590	84,390
Interest expense	(2,882,309)	(3,070,260)
Amortization expense	(76,180)	(97,575)
Bond issuance costs	(102,696)	(297,973)
Gain on sale of assets	30,000	-
Net non-operating revenues	<u>1,677,753</u>	<u>1,145,121</u>
Loss from operations and net non-operating revenues before capital contributions	<u>(2,048,308)</u>	<u>(3,468,084)</u>
<b>Capital Contributions</b>		
Federal grants	2,571,987	10,596,170
Other capital grants	8,422	639,976
Total capital contributions	<u>2,580,409</u>	<u>11,236,146</u>
Net change in net position	532,101	7,768,062
Beginning of year, net position (See Note 16)	<u>106,436,123</u>	<u>98,668,061</u>
End of year, net position	<u>\$ 106,968,224</u>	<u>\$ 106,436,123</u>

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

(With comparative amounts year ended December 31, 2013)

	<u>2014</u>	<u>Restated 2013</u>
<b>Cash Flow from Operating Activities</b>		
Cash received from customers	\$ 17,436,673	\$ 15,924,988
Cash paid to employees for services	(5,764,877)	(5,891,506)
Cash paid to suppliers	(5,084,724)	(5,050,765)
Net cash provided by operating activities	<u>6,587,072</u>	<u>4,982,717</u>
<b>Cash Flow from Capital and Related Financing Activities</b>		
Proceeds from bond issuance	4,835,000	13,055,919
Capital contributions received	4,100,524	9,978,398
Acquisition and construction of capital assets	(6,137,521)	(16,447,979)
Redemption of long term debt	(7,964,486)	(11,255,000)
Principal paid on long term debt	(3,466,662)	(2,634,331)
Interest paid	(3,442,290)	(3,558,886)
Bond issuance costs	(102,696)	(297,973)
Contract Facility Charges collected	2,648,727	2,560,602
Passenger Facility Charges collected	1,998,621	1,965,937
Proceeds from sale of capital assets	30,000	-
Net cash used in capital and related financing activities	<u>(7,500,783)</u>	<u>(6,633,313)</u>
<b>Cash Flow from Investing Activities</b>		
Purchases of investments	(14,873,057)	(11,895,199)
Proceeds from sales of investments	14,290,186	14,247,221
Investment income	61,590	84,997
Net cash (used in) provided by investing activities	<u>(521,281)</u>	<u>2,437,019</u>
Net increase (decrease) in cash and cash equivalents	(1,434,992)	786,423
Cash and cash equivalents at beginning of year	<u>7,706,565</u>	<u>6,920,142</u>
Cash and cash equivalents at end of year	<u>\$ 6,271,573</u>	<u>\$ 7,706,565</u>

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

-CONTINUED-

	2014	Restated 2013
<b>Reconciliation of operating loss to net cash provided</b>		
<b>by operating activities</b>		
Loss from operations	\$ (3,726,061)	\$ (4,613,205)
Adjustments to reconcile operating loss to net cash provided		
by operating activities:		
Depreciation	9,510,939	8,997,818
Changes in other assets and liabilities:		
(Increase) decrease in accounts receivable	(71,554)	48,151
Decrease in amounts due to signatory airlines	629,067	330,058
Decrease in inventory	27,749	30,189
(Increase) decrease in prepaid expenses	38,014	(38,497)
Increase in accounts payable	36,583	99,536
Decrease in accrued expenses and compensated absences	(4,166)	(121,523)
Increase (decrease) in unearned revenue and amounts due to others	(27,202)	79,390
Increase in OPEB obligation	173,703	170,800
Net cash provided by operating activities	\$ 6,587,072	\$ 4,982,717
 <b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents - unrestricted	\$ 1,878,273	\$ 843,221
Cash and cash equivalents - restricted	4,393,300	6,863,344
Total cash and cash equivalents	\$ 6,271,573	\$ 7,706,565

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**Note 1. Summary of Significant Accounting Policies**

By State Statute in 1962, the Richland-Lexington Airport District, South Carolina (the "District") was created as a political subdivision of the State of South Carolina. Accordingly, the District operates as a special purpose entity under the laws of the State of South Carolina and is governed by an appointed commission. The District operates the Columbia Metropolitan Airport (the "Airport") in Lexington County, South Carolina.

The District's Commission consists of twelve members. Five members are nominated by the Richland County Delegation, five members are nominated by the Lexington County Legislative Delegation, and two members are nominated by the Columbia City Council. Following nomination, these persons are appointed by the Governor of the State of South Carolina to serve a term of four years.

**Basis of Presentation and Accounting** - The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

These financial statements are presented in accordance with GASB Statement No.34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments.

**Proprietary Fund** - All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

In 2012, the District implemented GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Therefore, proprietary fund statements now reflect net assets as net position. Net position and revenues, expenses, and changes in net position are now reflected using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating expenses.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 1. Summary of Significant Accounting Policies (continued)**

The District's significant accounting policies are described below:

**Cash and Cash Equivalents** - Cash includes amounts in demand deposits. The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

**Receivables** - The District's accounts receivable are stated at realizable values net of allowances for uncollectible accounts. Management analyzes its receivable balances on a periodic basis and establishes an allowance for uncollectible accounts when collectability is uncertain and material.

**Inventory and Prepaid Expenses** - Inventories, consisting primarily of supplies and parts held for consumption, are stated at lower of cost, determined using the first-in first-out (FIFO) method, or market. Accordingly, the cost is recorded as an asset at the time individual inventory items are purchased and then expended as the supplies and parts are consumed ("consumption method"). Prepaid expenses represent cost for services applicable to future periods.

**Restricted Assets** - Restricted assets represent monies or other resources, the use of which is either externally imposed or restricted by legal or contractual requirements. At December 31, 2014, the District's restricted asset accounts were derived from certain grants, bonds, and contract ordinances.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Capital Assets and Depreciation** - Capital assets, which include land, construction-in-progress, aviation easements, airfield, buildings, and equipment are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. The construction-in-progress account consists of costs to date associated with construction projects.

Capital assets are defined by the District as those assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of three years.

Public domain (infrastructure) capital assets (e.g., original airfield – related runway and taxiways and navigational rights, roads, bridges, sidewalks, and other assets that are immovable and of value only to the District) have been capitalized using actual and estimated historical costs.

Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets, using the straight-line method with service lives as follows:

Airfield – 20 to 30 years  
Buildings – 15 to 40 years  
Equipment – 3 to 8 years

The aviation easement, which is capitalized at historical cost as an intangible asset, provides the District the right to operate various aviation activities, including flight air space, and is deemed to have a perpetual life. Consequently, no amortization is recognized in the accompanying financial statements. Projects in progress are reported at historical cost. Gifts or contributions of property received are recorded at their estimated fair value on the date received by the District.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 1. Summary of Significant Accounting Policies (continued)**

**Capitalization of Interest** - Interest costs incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, when determined material.

**Other Assets** - Certain costs incurred are amortized over the life of the contract as appropriate and are included in other assets. See *Note 8* for further details of the components of other assets.

**Deferred Outflows** - The District implemented GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (“GASB 65”) in 2013. GASB 65 requires that for current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. The District has recognized approximately \$629,000 and \$461,000 as deferred outflows of resources related to losses on bond refundings as of December 31, 2014 and 2013, respectively.

**Long-term Obligations** - Long-term debt represents unmatured principal of revenue and general obligation bonds and special facility bond (issued for a partial financing of a commercial real estate purchase). The Other Postemployment Benefits liability is also recorded as a long-term obligation (*See Note 11*).

**Compensated Absences (Accrued Vacation)** - The District maintains a policy that allows employees to carryover an amount not to exceed the maximum annual accrued leave to the subsequent year. The District considers this amount to be a non-current liability in accordance with GASB 16 – *Accounting for Compensated Absences*. Accrued vacation is treated as a terminal benefit and is paid to the extent of the accumulated balance upon an employee’s termination. Accumulated sick leave is not paid when the employee terminates their employment, and therefore, an accrual is not made for unpaid sick time.

**Net Position** - Net position comprises the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt, which consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Unspent proceeds or other restricted cash and investments are added back to this balance. Assets restricted for capital projects and debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation. Unrestricted assets consist of all other net position not included in the above categories.

**Lease Accounting** - Revenue from terminal building space rentals and other leased sites is accounted for under the operating lease method. Base monthly rentals are computed on the square footage occupied by the tenant times the rent per square foot which varies with options to renew; however, several lease terms provide for early termination by either party within a contractually specified notification period. Annual rent increases are primarily based on either amounts stated in the agreements, or periodic increases in the Consumers Price Index, where applicable. Management has considered the reporting requirements of GASB 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* as it relates to accounting and reporting by lessors. For those operating leases with scheduled rent increases, the difference between actual rent

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 1. Summary of Significant Accounting Policies (continued)**

payments and revenue recorded from operating lease transactions measured on a straight-line basis over the lease term are immaterial.

In addition, lease revenues from airlines for the year ended December 31, 2014 were based on certain “signatory” and “non-signatory” airline lease and use agreements.

**Grant Revenue and Non-exchange Transactions** - Pursuant to GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transaction*, non-operating grants, Passenger and Contract Facility Charges and other contributed capital have been recognized as non-operating revenue. The District is a recipient of certain Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants. These cost-reimbursed grants have been recognized as capital contributions.

**Passenger Facility Charges** - Passenger Facility Charges (“PFC’s”) collected pursuant to Federal Aviation Administration (FAA) regulations from enplaned passengers via airlines’ remittances are restricted for future construction, capitalization, and related debt service of the Airport as approved by the FAA. On November 1, 1993, the FAA approved the District to impose a \$3.00 PFC fee. Effective December 1, 2001, the FAA approved a \$1.50 fee increase for a total \$4.50 per enplaned passenger, less a prescribed airline administrative cost. These amounts have been recognized when receipted as non-operating revenue.

**Contract Facility Charges** - Contract Facility Charges (“CFC’s”), collected pursuant to certain agreements on automobile rentals, are restricted for debt service, ground use charges, and operations and maintenance expense related to automobile rental tenants. These amounts have been recognized when receipted as non-operating revenue. In the event of a CFC shortfall the District establishes an accounts receivable for the difference between CFC collections and above mentioned expenses. At December 31, 2014, no amounts for differences were deemed material.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts receivable, bad debt expense, Signatory Airline rebate or surcharge and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

**Comparative Data** – The 2014 financial statements include certain prior year comparative and summarized information. Such information does not include sufficient detail in the Notes to the Financial Statements to constitute a complete financial statement presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the District’s audited financial statements for the year ended December 31, 2013, from which the summarized information was derived.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 2. Legal Compliance – Budgets**

The District follows the procedures noted below in establishing its annual budget:

During the fourth quarter of each year, the Executive Director submits to the Commission a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them. Prior to January 1, the budget is adopted by the Commission.

Formal budgetary integration is employed as a management control device during the year. The budget is adopted on a basis consistent with GAAP except for purchases of capital assets and payments of debt principal and interest, which are treated as expenditures for budgeting purposes.

For the year ended December 31, 2014, the District operated under a \$19,469,132 budget, of which \$6,475,553 was related to the District's long-term debt service, \$11,363,121 was related to the District's operations before depreciation and \$1,630,458 was related to capital expenditures funded by the District, net of FAA Airport Improvement Program reimbursement.

**Note 3. Deposits and Temporary Investments**

The District has no formal policy addressing risks (credit risk, custodial credit risk, interest rate risk, and/or concentration of credit risk) associated with its deposits and investments other than the provisions of South Carolina Law for public funds as summarized below.

Deposits

Custodial credit risk of deposits is the risk that, in the event of bank failure, the District's deposits may not be returned to it. At December 31, 2014, the carrying amount of the District's cash deposits with financial institutions was \$6,270,923 and the financial institution's balances totaled \$6,521,241. Of the balance, approximately \$579,630 was covered by Federal Depository Insurance and the remaining balance was covered by collateral held by the financial institutions' trust departments in the District's name.

Deposits include demand deposits at December 31, 2014 as follows:

	Carrying Amounts	Demand Deposits	Bank Balances Money Market Funds	Totals
Funds with financial institutions	\$ 1,877,623	\$ 2,119,891	\$ —	\$ 2,119,891
Funds on hand	650	—	—	—
Unrestricted cash and equivalents	<u>\$ 1,878,273</u>	<u>\$ 2,119,891</u>	<u>\$ —</u>	<u>\$ 2,119,891</u>
Restricted cash and cash equivalents	<u>\$ 4,393,300</u>	<u>\$ 4,401,350</u>	<u>\$ —</u>	<u>\$ 4,401,350</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 3. Deposits and Temporary Investments (continued)**

Temporary Investments

The District’s investments are carried at fair value. At December 31, 2014 the District had the following investments subject to interest rate risk:

	Fair Value	Maturity
Unrestricted State Treasurer's Investment Pool	7,553,136	60 days weighted average of portfolios
Restricted Money Market Funds	5,190,871	8 days weighted average of portfolios

The South Carolina Treasurer’s Office established the South Carolina Local Government Investment Pool (“the Pool”) pursuant to Section 6-6-10 of the South Carolina Code of Law. The Pool is an investment trust fund, in which monies in excess of current needs which are under the custody of any county treasurer or any governing body political subdivision of the State may be deposited. The Pool is a Rule 2a 7-like pool which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but has a policy that it will operate in a manner consistent with the SEC’s Rule 2a 7 of the Investment Company Act of 1940. Investment shares with the Pool are subject to redemption upon demand by the District. The fair value of the District’s investment in the Pool is the same as the value of the Pool shares.

*Credit Risk* State statute authorizes the District to invest in obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units provided such obligations are rated as an “A” or better by Moody’s Investors Services, Inc. and Standard and Poor’s Corporation or their respective successors; interest bearing accounts in savings and loan associations to the extent that the same are insured by an agency of the Federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest, provided, however such collateral shall not be required to the extent the same are insured by an agency of the United States Government; or deposit accounts with banking institutions insured and secured in the same manner.

The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The District has no investment policy that would limit its investment choices other than its compliance with State Law. The Pool limits its investments to the same State Law requirements.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 3. Deposits and Temporary Investments (continued)**

*Custodial credit risk* Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment balances were covered by collateral held by the financial institution’s trust department in the District’s name. As of December 31, 2014, the District was not exposed to custodial credit risk.

*Concentration of credit risk* The District places no limit on the amount it may invest in any one issuer. More than 5% of the District’s investments are in money market funds. These investments are 100% of the District’s total investments.

**Note 4. Receivables**

Receivables include amounts due the District for landing fees, leases of sites and terminal spaces, parking fees, and a note receivable. At December 31, receivables consisted of the following:

Accounts	2014
Airfield landing fees	\$ 379,999
Leased sites	77,559
Terminal building	569,866
Parking and other fees	383,788
Other	486
Net accounts receivable	\$ 1,411,698
 Note receivable	 \$ 202,991
 Grant funds receivable	 \$ 162,772

The note receivable is financing related to a commercial real estate sale. The note has a seven (7) year term at five percent (5%) interest.

Management considers the allowance for uncollectible accounts at December 31, 2014 to be immaterial.

Restricted grant funds receivable at December 31, 2014 include receivables of \$162,772 from the Federal Aviation Administration (FAA) Airport Improvement Grant Program and have been recognized as part of restricted assets.

**Note 5. Signatory airline contracts**

The District has entered into substantially similar Airport Use and Lease Agreements (the “Airline Agreements”) with Delta Airlines, Inc., US Airways, United Airlines, United Parcel Service, and Federal Express (the “Signatory Airlines”), containing substantially similar provisions. Each Airline Agreement expired on December 31, 2014.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 5. Signatory airline contracts (continued)**

Pursuant to the Airline Agreement, the Signatory Airlines are charged and aircraft landing fee, and as applicable, terminal rent and a security reimbursement fee. The methodology for computing these fees are set forth in the Airline Agreement, as is also used to perform an annual reconciliation of billed airline charges to actual airline cost and a determination of an airline surcharge (accounts receivable) or rebate (accounts payable) at the end of each year.

By agreement with the Signatory Airlines, the results of the annual reconciliations affecting the Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2012 through December 31, 2014 have been combined (“netted”) into one balance recorded on the Statements of Position for the same years. The final balance for the Airline Agreements expired December 31, 2014 is shown below:

Accounts	2014
Amounts due to airlines - signatory rebate	\$ 39,887

See *Note 17* for further discussion of successor airline agreements.

**Note 6. Capital Assets**

A summary of changes in capital assets during the year ended December 31, 2014 is as follows:

	Restated Balance 12/31/2013	Additions	Retirements	Transfers	Balance 12/31/2014
<b>Capital Assets</b>					
<u>Not subject to depreciation:</u>					
Land	\$ 13,524,981	\$ 38,291	\$ -	\$ -	\$ 13,563,272
Construction-in-progress	3,896,368	3,304,713	(48)	(3,995,808)	3,205,225
Avigation Easement	2,809,527	-	-	-	2,809,527
<b>Total capital assets not depreciated</b>	<b>20,230,876</b>	<b>3,343,004</b>	<b>(48)</b>	<b>(3,995,808)</b>	<b>19,578,024</b>
<u>Subject to depreciation:</u>					
Airfield	119,218,186	101,925	-	1,335,931	120,656,042
Buildings	128,232,218	692,501	-	2,659,877	131,584,596
Furniture, Vehicles, Equipment	9,920,938	261,731	(374,684)	-	9,807,985
<b>Total capital assets subject to depreciation</b>	<b>257,371,342</b>	<b>1,056,157</b>	<b>(374,684)</b>	<b>3,995,808</b>	<b>262,048,623</b>
<u>Less: accumulated depreciation</u>					
Airfield	(55,034,770)	(4,541,959)	-	-	(59,576,729)
Buildings	(63,227,001)	(4,511,616)	-	-	(67,738,617)
Furniture, Vehicles, Equipment	(7,462,081)	(457,364)	374,684	-	(7,544,761)
<b>Total accumulated depreciation</b>	<b>(125,723,852)</b>	<b>(9,510,939)</b>	<b>374,684</b>	<b>-</b>	<b>(134,860,107)</b>
<b>Net capital assets subject to depreciation</b>	<b>131,647,490</b>	<b>(8,454,782)</b>	<b>-</b>	<b>3,995,808</b>	<b>127,188,516</b>
<b>Net capital assets</b>	<b>\$ 151,878,366</b>	<b>\$ (5,111,778)</b>	<b>\$ (48)</b>	<b>\$ -</b>	<b>\$ 146,766,540</b>

Total depreciation expenses for the year ended December 31, 2014 equaled \$9,510,939.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 7. Long-Term Debt**

The District had the following outstanding long-term debt (excluding compensated absences and other post-employment benefits) at December 31, 2014:

Bonds Payable

Outstanding Debt	12/31/2014
<p><b>Taxable Airport Revenue Bonds, Series 2001B</b>                      \$16,790,000 Bonds of 2001B are due in annual installments of \$230,000 to \$1,255,000 beginning January 1, 2006 through January 1, 2031 with interest at 5.33% to 6.74%. Issued to fund rental car facility improvements.</p>	\$ 13,330,000
<p><b>Airport Refunding Revenue Bonds, Series 2004</b>                      \$24,390,000 Bonds of 2004 are due in annual installments of \$590,000 to \$1,530,000 through January 1, 2025 with interest at 4.00% to 5.13%. Issued to refund Series 1995 Airport Revenue Bonds.</p>	17,270,000
<p><b>Airport Refunding Revenue Bonds, Series 2005</b>                      \$19,645,000 Bonds of 2005 are due in annual installments of \$590,000 to \$1,530,000 through January 1, 2026 with interest at 4.00% to 5.00%. Issued to refund Series 1996A Airport Revenue Bonds.</p>	14,345,000
<p><b>Airport Refunding Revenue Bonds, Series 2014A</b>                      \$3,820,000 Bonds of 2014 due in annual installments of \$75,000 to \$630,000 through January 1, 2024 with interest at 2.25%. Issued to refund a portion of Series 2001A Airport Revenue Bonds.</p>	3,820,000
<p><b>Taxable Airport Refunding Revenue Bonds, Series 2014B</b>                      \$1,015,000 Bonds of 2014 due in annual installments of \$500,000 to \$1,450,000 through January 1, 2017 with interest at 1.94%. Issued to refund a portion of Series 2001A Airport Revenue Bonds.</p>	1,015,000
<p>Total revenue bonds payable</p>	\$ 49,780,000
<p><b>Airport General Obligation Refunding Bonds, Series 2013</b>                      \$10,000,000 Bonds of 2013 due in annual installments of \$500,000 to \$1,450,000 through March 1, 2027 with interest at 2.75% to 4.00%. Issues to refund a portion of Series 2001A Airport Revenue Bonds.</p>	\$ 7,035,000
<p><b>Airport Special Facility Bond, 2013</b>                      \$2,300,000 Bond of 2013 due in quarterly installments of \$49,331 to \$66,341 through August 1, 2023 with interest at 2.98%. Issued to finance the purchase of commercial real estate.</p>	\$ 1,779,521
<p>Total Bonds Payable</p>	\$ 58,594,521

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 7. Long-Term Debt (continued)**

Changes in bonds payable for the year ended December 31, 2014 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Bonds payable	\$ 65,190,670	\$4,835,000	\$(11,431,149)	\$ 58,594,521
Plus, net amounts for original issuance premiums				1,121,402
Less, current portion due within one year				(3,281,060)
Net long-term bonds payable				\$ 56,434,863

Principal and interest paid during the current year and total net revenues (before Passenger Facilities Charges) were \$14,873,438 (which includes \$4,385,000 of Series 2001A refunding by Series 2014 A & B) and \$8,495,194, respectively.

On November 20, 2014 the District defeased \$1,325,000 of Series 2001A Airport Revenue Bonds and issued \$4,835,000 of Series 2014 A & B Airport Refunding Bonds to refinance the outstanding Series 2001A balance.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in an accounting loss of \$177,173. This difference is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized on a straight line basis over the life of the bonds, with the annual expense being recorded to interest expense. The refunding was completed to reduce the overall debt service by \$5.1 million with a net present value, or economic gain, of \$1.9 million.

Bond issuance costs of \$.1 million have been expensed in the Statement of Revenues, Expenses, and Changes in Net Position in accordance with GASB 65.

On November 20, 2014 the District executed a cash defeasance \$1,535,000 of Series 2013 General Obligation Bonds. The Defeased Bonds represent the principal of the Bonds originally scheduled to mature on March 1, 2027 in the amount of \$630,000 and a portion of the principal of the Bonds originally scheduled to mature on March 1, 2026 in the amount of \$905,000. The Defeased Bonds are being defeased to the first optional redemption date of March 1, 2023. At December 31, 2014, \$1,643,352.90 is held in trust to effect this transaction.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 7. Long-Term Debt (continued)**

The future annual requirements of bonded debt at December 31, 2014 are as follows:

<u>Years Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,281,060	\$ 2,771,861	\$ 6,052,921
2016	3,957,535	2,642,123	6,599,658
2017	4,134,462	2,457,976	6,592,438
2018	4,326,474	2,263,629	6,590,103
2019	4,528,700	2,058,503	6,587,203
2020-2024	24,846,290	6,855,037	31,701,327
2025-2029	11,090,000	1,901,067	12,991,067
Thereafter	2,430,000	166,478	2,596,478
	<u>\$ 58,594,521</u>	<u>\$ 21,116,674</u>	<u>\$ 79,711,195</u>

Pledged Revenue

Pursuant to Bond Indenture of Trusts, substantially all of the District’s operating revenues, net of expenses, are pledged for bonds repayment. The District is required by debt covenants to maintain the sum of Net Revenues and Series Security of 125% of the Adjusted Debt Service Requirement for such fiscal year. Additionally, the District collects Passenger Facilities Charges (PFC’s) from airlines at a rate of \$4.50 per enplaned passenger, net of allowable administrative costs of \$0.11, which is pledged as Series Security for the Airport Refunding Revenue Bond Series 2004 and 2005. Proceeds from the bonds were used to refund the outstanding Series 1995 and 1996A Bonds, respectively, which were used to construct certain terminal building improvements and other projects. Approximately 82% of the Series 2004 and 34% of the Series 2005 annual debt service are eligible for funding with PFC’s, which produces an average annual maximum Series Security of approximately \$1.8 million. Annual principal and interest payments on those bonds required 89% of the series security. The remaining principal and interest requirement on the Series 2004 bonds is \$22.5 million payable through January 1, 2025. The remaining principal and interest requirement on the Series 2005 bonds is \$18.8 million payable through January 1, 2026.

Other obligations for which the District has pledged future revenue net of specified operating expenses include the Series 2001B Taxable Airport Revenue Bonds, Series 2013 General Obligation Bonds, Series 2013 Special Facility Bond, and the Series 2014 A & B Airport Refunding Bonds. Annual principal and interest requirements on those obligations are expected to require 46% of net revenues.

The District executed a Promissory Note, Loan Agreement and other such documents on August 22, 2013 with First Citizens Bank and Trust Company, Inc. to defray a portion of the acquisition cost of commercial real estate (“Special Facility”) in May 2013. Pursuant to the Indenture of Trust dated February 1, 1995 as amended and supplemented, the District has identified this Promissory Note as a “Special Facilities Bond” under the Indenture. The Note, as a Special Facilities Bond, and all costs and expenses related to the Special Facility are payable solely from revenues derived from the operation the aforesaid Special Facility.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 7. Long-Term Debt (continued)**

Debt Service Coverage

The District has a rate covenant associated with its outstanding revenue bonds which requires the District to establish rates and charges that generate “net revenues” as defined by the Indenture of Trust that are at least equal to 125% of the “Adjusted Debt Service Requirement” as defined by the same indenture. For the year ended December 31, 2014, the District is in compliance with the coverage test.

**Note 8. Restricted and Other Assets**

Restricted Assets

Certain resources set aside for revenue bond repayment or to satisfy certain restrictive covenants of the bond agreements are classified as restricted assets. The restricted cash and cash equivalents of \$4,393,300 and temporary investments of \$5,190,871 represent the District’s funds restricted for such purposes.

The \$162,772 grant funds receivable represents resources used in the FAA’s Airport Improvement Program.

Other Assets

The District’s other assets totaling \$1,872,516 consists of improvements to the investment in the CAE Enterprise Park (\$1,872,016), held for future aviation-related use and sale, and other assets (\$500). In 2014, the District completed amortization of \$332,858 development costs of the signatory airline contract in effect from 2010 to 2014.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 9. Employee Retirement Systems**

As of July 1, 2012, South Carolina retirement benefits are under the authority of the South Carolina Public Employee Benefit Authority (“PEBA”). The South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) are cost-sharing multi-employer defined benefit pension plans administered by the PEBA, a Division of the State Budget and Control Board.

Both the SCRS and PORS 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 SC Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

Both employees and employers are required to contribute to the Plans under authority of Title 9 of SC Code of Laws.

Employee required contributions to the Plans are as follows:

SCRS Class II	8.0% of salary
PORS Class II	8.41% of salary

Employers are required to contribute at the following actuarially determined rates:

<b>SCRS</b>	
State Agencies and Public Schools	10.75%
<b>PORS</b>	
Class II	13.01%

In addition to the above rates, participating employers of the SCRS contribute 0.15% of payroll (\$3,795) to provide an incidental death benefit for their participants. Participating employers under the PORS also contribute 0.2% of payroll (\$2,443) to provide an incidental death benefit for their participants.

The District’s total covered payroll for the year ended December 31, 2014 was \$3,751,393, of which \$2,530,045 was for all employees covered by SCRS, and \$1,221,348 was for PORS covered employees.

The District remitted 100% of the required employee and employer contributions for each of the years ended December 31, 2014, 2013, and 2012. The District’s remittances to the SCRS for the years ended December 31, 2014, 2013, and 2012 were \$467,818, \$447,049, and \$451,018 respectively. The District’s remittances to the PORS for the years ended December 31, 2014, 2013, and 2012 were \$257,015, \$248,706, and \$228,717, respectively.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 10. Net Position**

Net position represents the difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources.

Reconciliations of the restricted components of net position amounts are as follows:

		2014		As Restated 2013
<b>Net investment in capital assets</b>				
Net property, plant and equipment in service	\$	143,561,315	\$	147,981,997
Construction in progress		3,205,225		3,896,368
Less:				
Revenue bonds payable, net		(59,715,923)		(66,481,903)
Construction project payable		(334,611)		(2,073,019)
Net investment in capital assets	\$	86,716,006	\$	83,323,443
<b>Restricted for Capital Projects</b>				
Grant funds receivable	\$	162,772	\$	1,682,888
<b>Restricted for Debt Service</b>				
	\$	5,174,291	\$	6,118,980
<b>Restricted for Other Purposes</b>				
Law enforcement activities	\$	110,206	\$	132,024
Passenger Facility Charges		2,333,193		2,170,472
Victim's Rights assistance programs		-		53,185
Contract Facility Charges		872,162		2,403,355
Other purposes		8,012		7,674
Total restricted for other purposes	\$	3,323,573	\$	4,766,710

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 11. Commitments and Contingencies**

Litigation

The District is party to legal proceedings that normally occur in governmental operations. District officials believe the legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

Federal and State Assisted Programs

In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Such audits could result in the refund of grant monies to the grantor agencies. However, management believes that any required refunds would be immaterial and no provision has been made in the accompanying financial statements for the refund of grant monies.

Commitments

At December 31, 2014, the District had outstanding contractual commitments approximating \$7.4 million for the completion of several construction projects.

**Note 12. Post-Employment Benefits Other Than Pension**

Plan Description

In addition to the pension benefits described in *Note 9*, the District maintains a policy whereby an employee with a minimum of fifteen (15) years of service with the District and who qualifies for Regular Service retirement under any SCRS plan will have the opportunity to participate in the employee group health insurance plan (including dental).

The District's post-employment benefit plan covers the retired employee until Medicare eligibility. The district currently administers the program and the Commissioners maintain the authority for establishing and amending benefits and funding policy. The program does not issue separate stand alone financial statements and is not included in the financial statements of another entity.

Funding Policy

The District's contributions are financed on a pay-as-you-go basis and therefore, no trust fund has been established which would maintain plan net assets. At December 31, 2014, the District had 7 retired employees with an average age of 58 years covered by the program with monthly premium costs averaging \$1,363.05 per participant. Total contributions made by the District for the year ended December 31, 2014 were \$168,947 or 49.85% of the Annual Required Contribution ("ARC").

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 12. Post-Employment Benefits Other Than Pension (continued)**

Annual OPEB Cost

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual Other Post-Employment Benefits ("OPEB") cost for the year ended December 31, 2014 and the related information for the program is as follows:

	2014
Employer normal costs	\$ 189,738
Amortization of Unfunded Accrued Liability	149,162
Annual required contribution (ARC)	338,900
Interest on net OPEB obligation	51,787
Adjustment to ARC	(48,037)
Annual OPEB cost	342,650
Contributions made	(168,947)
Increase in net OPEB obligation	173,703
Net OPEB obligation - beginning of year	1,294,653
 Net OPEB obligation - end of year	 \$ 1,468,356

A summary of the annual OPEB cost, percentage of the annual OPEB cost contributed, and the year end net OPEB obligation for the year ended December 31, 2014 and the two preceding years is as follows:

Trend Information			
Year ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	252,947	50.18%	1,123,853
2013	328,200	47.96%	1,294,653
2014	342,649	49.31%	1,468,356

Funded Status and Funding Progress

The most recent actuarial valuation of OPEB was as of December 31, 2013 for the fiscal year then ended. The actuarial accrued liability for benefits was \$4,005,200, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,329,100, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 120.3%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the OPEB and the annual required contributions of the employer are subject to continual revision as actual results are

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 12. Post-Employment Benefits Other Than Pension (continued)**

compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of OPEB assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive program (the program as understood by the District and participants) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the participants to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in the actuarial accrued value of OPEB liabilities and the actuarial value of OPEB assets.

In the most recent actuarial valuation as of December 31, 2013, the Projected Unit Credit cost method and the Level Percentage Payroll Amount, Open amortization method were used. The Unfunded Actuarial Accrued Liability (“UAAL”) amortization payment is the level percent of payroll required to fully amortize the UAAL over a 30 year period. The actuarial assumptions included an estimated investment rate of return of 4.00% (which is the annual return net of both administrative and investment related expenses) and a healthcare inflation rate of 6.40% graded to 4.40% over 83 years.

**Note 13. Risk Management**

The District is a participant in the Insurance Reserve Fund of South Carolina which is an office of the South Carolina State Budget and Control Board. The Budget and Control Board is authorized and required to provide insurance to governmental entities by state statute. The Insurance Reserve Fund is a self-insurance pool. The District participates in the Insurance Reserve Fund for business interruption; automobile comp, collision, and liability; data processing; buildings and personal property; inland marine; professional liability and general tort liability policies. The limit of the tort insurance is \$1,000,000 per occurrence while the limits for casualty insurance vary depending on the value of the property.

The District’s workers’ compensation insurance is provided through the South Carolina State Accident Fund. The State Accident Fund is a separate agency of the state of South Carolina which provides workers’ compensation insurance for state agencies, other government entities, and if required by the legislature, small businesses in the private sector.

Commercial General Liability insurance is provided for the District through Global Aerospace. This policy covers catastrophic air-side incidents. The policy is currently under a three year renewal and is managed by Hope Aviation.

The District holds a Public Officials and Employment Practices liability policy through American International Group, Inc. This policy is for the protection of the District from any wrongful act during the performance of duties for the District. This policy is managed by Russell-Massey and Company.

The District has an Employee Dishonesty Bond through Travelers Casualty and Surety Company of America protecting the District against employee theft and fraud. This policy is managed by Russell-Massey and Company.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 14. Operating Leases – Lessor Agreements**

The District, as lessor, leases land, buildings, and terminal space to air carriers, aeronautical schools, and concessionaires on a fixed fee as well as a contingent fee basis. All leases of the District are treated as operating leases for accounting purposes. The portions of the District’s capital assets subject to these leases total \$132 million with a carrying value of \$64 million at December 31, 2014. Depreciation expense for 2014 totaled \$4.5 million.

The following is a schedule of future minimum rentals receivable on non-cancelable operating leases as of December 31, 2014:

<u>Year Ended December 31</u>	<u>Total</u>
2015	\$ 1,936,043
2016	1,505,993
2017	1,353,313
2018	864,603
2019	584,477
2020-2034	<u>4,367,241</u>
	<u>\$ 10,611,670</u>

Escalation of lease revenue is deemed to be not materially different than lease revenue recognized by the District.

**Note 15. Major Customers and Economic Conditions**

The District derives a substantial portion of its revenue from charges to air carriers, fixed base operators, concessionaires, rental car companies, and the operation of parking facilities. These revenues are shown by function in the following table.

	<u>2014</u>	
	Revenue	%
Air Carriers	\$ 6,165,179	36%
Parking	5,253,614	31%
Rental Car Operations	2,182,177	13%
Other tenant and concessions	2,999,726	18%
Other operating revenue	292,194	2%
Net operating revenue	<u>\$ 16,892,890</u>	<u>100%</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 15. Major Customers and Economic Conditions (continued)**

The Signatory Airline Use Agreements expired December 31, 2014. Subsequently, management has negotiated substantially similar three-year successor agreements effective January 1, 2015.

At December 31, 2014, Signatory Airlines consisted of Delta Airlines, US Airways, United Airlines, United Parcel Service, and Federal Express. Effective January 1, 2015, American Airlines will replace US Airways as a Signatory Airline as a result of their merger.

At December 31, 2014, air carrier revenues, which include leased sites and terminal rental, are concentrated among several carriers as follows:

Air Carriers:	2014	
	Revenue	%
Delta Airlines	\$ 1,954,708	32%
US Airways	1,401,346	23%
United Parcel Service	740,830	12%
United Airlines	863,285	14%
American Airlines	599,234	10%
Federal Express	428,862	7%
All Other Carriers	176,914	3%
Total air carriers	<u>\$ 6,165,179</u>	<u>100%<sup>1</sup></u>

The increased airline revenues are directly related to higher airline rates for landing fees, and terminal rent charged in 2014. The airline contract reconciliation produced a \$.6 million signatory airline rebate for the same year, as compared to a rebate of \$.3 million in 2013.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 16. Prior Period Restatement**

The 2013 financial statements have been restated to report the effects of GASB Statement No. 51 – *Accounting and Reporting for Intangible Assets* (“GASB 51”). GASB 51 has been implemented retroactively, and therefore, any previously amortized intangible assets with an indefinite useful life are reported as capital assets not subject to depreciation. Previously, these assets (avigation easements) were recorded in Other Assets net of accumulated amortization. Below is a summary of previously reported balances along with the applicable restatement adjustments:

	<u>2013 Balance</u>	<u>GASB 51 Restatement</u>	<u>2013 Balance, as restated</u>
Capital assets not subject to depreciation	<u>\$ 17,421,349</u>	<u>\$2,809,527</u>	<u>\$ 20,230,876</u>
Other assets, net	<u>4,139,204</u>	<u>(2,186,297)</u>	<u>1,952,907</u>
Net position: Net investment in capital assets	<u>80,513,916</u>	<u>2,809,527</u>	<u>83,323,443</u>
Net position: Unrestricted	<u>12,730,399</u>	<u>(2,186,297)</u>	<u>10,544,102</u>
Total net position	<u>105,812,893</u>	<u>623,230</u>	<u>106,436,123</u>
Amortization expense	<u>(238,051)</u>	<u>140,476</u>	<u>(97,575)</u>
Net change in net position	<u>7,627,586</u>	<u>140,476</u>	<u>7,768,062</u>
Beginning of year, net position	<u>98,185,307</u>	<u>482,754</u>	<u>98,668,061</u>
End of year, net position	<u>\$ 105,812,893</u>	<u>\$ 623,230</u>	<u>\$ 106,436,123</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**Note 17. Subsequent Events**

Management has evaluated all events subsequent to the Statement of Financial Position date of December 31, 2014 through the date of these financial statements, April 27, 2015. In consideration of GASB 56 – *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, management has identified the following type two, or non-recognized events that require disclosure.

Signatory Airline Agreements

Successor agreements to those which expired December 31, 2014 were effective January 1, 2015. The District's agreements with the signatory airlines described in *Note 15* are substantially similar with the exception of demised preferential premises (ticket counters, offices, etc). The new agreements have a three year term and do not include the continued funding of an Operating and Maintenance Expense Reserve Account, or the Renewal and Replacement Fund. The new agreements retain the annual reconciliation of the predecessor agreements, but do not require a reconciliation settlement until the end of the three-year agreement.

Real Estate Transactions

The District executed two real estate transactions of surplus property in February and March of 2015 with the approval of the Federal Aviation Administration ("FAA"). The February transaction was a sale of twenty-four (24) acres west of its main runway to the Lexington County Recreation and Aging Commission. The March transaction was a sale of 7.2 acres north of the John Hardee Expressway to Midlands Technical College. Both transactions contain FAA-required aviation easements recorded along with the deeds. The sale proceeds are committed to the development, maintenance, and operations of the Columbia Metropolitan Airport in conformance with the FAA's revenue use policy.

Revenue Bond refunding

The District refunded the \$16.1 million of remaining outstanding balance of its Series 2004 Airport Refunding Revenue Bonds with \$15.9 million of Series 2015A Airport Refunding Revenue Bonds. The Series 2015 bonds are a ten-year bank loan in the form of a bond with a 2.16% Non-Bank Qualified Tax Exempt Rate. The refunding was completed to reduce the overall debt service by \$2.7 million with a net present value, or economic gain, of \$2.4 million.

REQUIRED SUPPLEMENTARY INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS

YEAR ENDED DECEMBER 31, 2014

<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of Assets (a)</u>	<u>Actuarial</u> <u>Liability (AAL)</u> <u>Entry Age (b)</u>	<u>Unfunded AAL</u> <u>(UAAL) (b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll ( c )</u>	<u>UAAL as a</u> <u>percentage of</u> <u>Covered</u> <u>Payroll (b-a)/c</u>
12/31/2013	\$ -	\$ 4,005,200	\$ 4,005,200	0%	\$ 3,329,100	120.3%
12/31/2011	\$ -	\$ 3,365,800	\$ 3,365,800	0%	\$ 3,874,969	86.9%
12/31/2009	\$ -	\$ 2,407,100	\$ 2,407,100	0%	\$ 5,295,300	45.5%

*The District obtains actuarial valuations on a biennial basis. The next scheduled actuarial valuation date is July 1, 2015.*

## OTHER FINANCIAL INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

YEAR ENDED DECEMBER 31, 2014

(With comparative amounts year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>Airfield Landing Fees</b>		
United Parcel Service	\$ 780,328	\$ 696,550
Delta Airlines	770,339	697,961
United Airlines	338,567	262,670
Allegiant Air	1,021	1,394
Federal Express	280,025	256,659
American	160,515	173,346
Continental	-	52,723
Vision Airlines	905	5,781
Mountain Air Cargo	33,678	31,817
US Airways	553,789	517,311
Martinaire	10,920	20,405
Air Cargo Carriers	52,225	50,945
Wiggins	9,997	-
Swift Air	-	806
Non-Scheduled Flights	-	844
Republic	17,042	15,531
Total airfield landing fees	<u>3,009,351</u>	<u>2,784,743</u>
<b>Leased Sites</b>		
Bell Aviation / Aviation Assoc	21,707	20,470
Eagle Aviation	264,388	273,870
Columbia Aviation	71,419	71,610
United Parcel Service	40,762	37,814
FAA Sector Office	99,397	89,072
Weather Bureau	138,445	76,071
GADO	73,491	73,491
FAA New FSDO	172,257	167,240
Foth	7,300	463
Delta Airlines	26,207	26,207
Berry's Expediting - Cargo	19,031	19,031
Alphanumeric	31,995	-
The Monticello Group	3,850	-
Federal Express Cargo	177,324	168,217
S.C. Department of Commerce - Division of Aeronautics	73,581	57,441
Parking	5,253,614	4,837,350
Amazon	10,600	-
Outdoor Advertising	4,400	5,250
SCANA	8,357	8,357
West Cargo Hangar	1,300	-
Kingston Metal	24,604	24,604
Lexington County School District 2	-	8,595

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

-CONTINUED-

	<u>2014</u>	<u>2013</u>
<b>Leased Sites (continued)</b>		
FTZ - INDUCON Joint Ventures	-	28,758
FTZ Fees	6,000	6,000
Doolittle Hangar	244,180	244,180
West Star Aviation - Land Lease	89,129	80,708
Avis	40,985	49,770
Hertz	35,875	35,700
National	46,515	38,010
Thrifty	13,125	13,020
Airport Commerce Center	801,111	319,925
Other	-	992
Total Leased Sites	<u>7,800,949</u>	<u>6,782,216</u>
<b>Terminal Rents and Commissions</b>		
Delta Airlines	1,398,937	1,260,352
US Airways / Piedmont	1,022,517	857,559
American Airlines	438,719	374,589
Continental Airlines	-	167,536
Air Wisconsin	36,091	36,091
Vision Airlines	653	5,419
Allegiant	923	627
Republic Airlines	13,459	11,515
Swift Air	-	150
United Airlines	632,250	477,134
TSA	210,053	157,822
Restaurant rental	224,382	229,124
Gift shop rental	234,792	230,507
Taxi and Limousine service	50,531	63,767
Bank rental	10,320	10,320
Display Advertising	49,449	50,197
Travel Service	18,666	18,666
Miscellaneous concessions and office space	12,806	15,054
Executive Delivery	2,915	-
Avis	261,023	256,246
Hertz	538,608	523,784
National	516,998	478,559
Budget	105,093	100,970
Thrifty	158,202	153,786
Enterprise / Dollar	465,755	422,016
Tenant Phone Service	16,321	16,401
Total terminal rents and commissions	<u>6,419,463</u>	<u>5,918,191</u>

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

-CONTINUED-

	<u>2014</u>	<u>2013</u>
<b>Other</b>		
Telephone commissions	7,500	7,172
Police fines	4,119	2,294
TSA Grant	116,800	129,838
Miscellaneous	62,008	127,557
Golf / Race Event	28,228	23,015
Surplus Equipment Sales	73,539	41,983
Total other	<u>292,194</u>	<u>331,859</u>
Total operating revenues before Signatory Airline surcharge (rebate)	<u><u>\$ 17,521,957</u></u>	<u><u>\$ 15,817,008</u></u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2014

(With comparative amounts year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>Salaries and Employee benefits</b>		
Salaries	\$ 3,834,000	\$ 3,978,522
Overtime	163,754	156,561
Payroll taxes	284,653	306,502
Retirement	430,029	421,588
Group insurance	1,186,797	1,153,491
Uniforms and other benefits	39,347	45,642
Total salaries and employee benefits	<u>5,938,580</u>	<u>6,062,306</u>
<b>Supplies</b>		
Office supplies	28,335	39,497
Cleaning supplies	83,318	75,600
Fire fighting and first aid supplies	14,530	12,560
Total supplies	<u>126,183</u>	<u>127,657</u>
<b>Airport Operations</b>		
Utilities	1,491,668	1,442,815
Repairs and maintenance	653,037	755,529
Airport Commerce Center	169,416	66,636
Parking management fee	576,576	548,145
Service contracts	628,007	586,534
Insurance	365,647	315,864
Fuel	65,996	88,673
Miscellaneous	21,069	6,588
Total airport operations	<u>3,971,416</u>	<u>3,810,784</u>
<b>Travel and Education</b>		
Dues and subscriptions	41,144	23,788
Training	94,703	106,212
Travel	159,822	129,710
Total travel and education	<u>295,669</u>	<u>259,710</u>

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

-CONTINUED-

	<u>2014</u>	<u>2013</u>
<b>Outside Professional Services</b>		
Legal and other professional fees	128,383	110,484
Planning and development	50,790	70,129
Consulting	32,366	33,670
Outside printing	4,693	4,320
Total outside professional services	<u>216,232</u>	<u>218,604</u>
<b>Marketing</b>		
Marketing and public relations	215,783	245,315
Advertising	339,593	373,857
Postage and mailing	4,556	4,105
Total marketing	<u>559,932</u>	<u>623,277</u>
<b>Depreciation</b>	9,510,939	8,997,818
Total operating expenses	<u>\$ 20,618,951</u>	<u>\$ 20,100,156</u>

VICTIM'S RIGHTS ASSISTANCE

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
VICTIM'S RIGHTS ASSISTANCE  
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES

YEAR ENDED DECEMBER 31, 2014

**Court Fines and Assessments**

Court fines and assessments collected	\$ 3,967
Court fines and assessments remitted to State Treasurer	<u>(78)</u>
Total court fines and assessments retained	<u>\$ 3,889</u>

**Funds Allocated to Victims Services**

Carryover funds from prior year	\$ 53,185
Charges and assessments retained	3,889
Transfer to Lexington County	<u>(57,074)</u>
Total unexpended victim's rights assistance funds	<u>\$ -</u>

## STATISITCAL SECTION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NET POSITION BY COMPONENT  
(Accrual basis of accounting)

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net invested in capital assets	\$ 86,716,006	\$ 83,323,443	\$ 72,278,326	\$ 71,515,684	\$ 74,948,911	\$ 71,069,607	\$ 72,431,212	\$ 67,413,810	\$ 66,821,307	\$ 60,516,521
Restricted for:										
Capital projects	162,772	1,682,888	425,140	464,503	43,990	451,474	625,240	1,241,798	896,972	349,065
Debt service	5,174,291	6,118,980	6,482,668	6,491,491	6,602,047	6,586,507	7,464,277	7,310,851	7,188,414	7,008,886
Other purposes	3,323,573	4,766,710	4,082,441	3,092,965	2,494,217	2,253,020	1,802,644	1,887,440	1,654,120	951,786
Unrestricted	11,591,582	10,544,102	14,916,732	17,919,396	16,126,224	12,690,971	13,440,972	11,881,669	10,827,835	14,695,368
Total net position	<u>\$ 106,968,224</u>	<u>\$ 106,436,123</u>	<u>\$ 98,185,307</u>	<u>\$ 99,484,039</u>	<u>\$ 100,215,389</u>	<u>\$ 93,051,579</u>	<u>\$ 95,764,345</u>	<u>\$ 89,735,568</u>	<u>\$ 87,388,648</u>	<u>\$ 83,521,626</u>

Note: Certain amounts of the 2013 net position have been restated upon implementation of GASB 51.

Note: Certain amounts of the 2012 net position have been restated upon implementation of GASB 65.

Note: Certain amounts of the 2010 and 2008 net position have been reclassified in order to be consistent with the current year's presentation and to conform with government accounting standards.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Revenue</b>										
Airfield landing fees	\$ 3,009,351	\$ 2,784,743	\$ 3,268,845	\$ 3,370,969	\$ 3,642,910	\$ 2,167,511	\$ 2,612,124	\$ 2,531,524	\$ 2,116,514	\$ 2,240,932
Leased sites	7,800,949	6,782,216	6,702,583	6,464,225	6,469,045	6,673,715	7,369,583	8,199,709	8,119,345	9,042,371
Terminal rents and commissions	6,419,463	5,918,191	6,054,710	5,909,693	6,302,656	5,722,960	5,824,151	6,558,619	5,751,191	5,774,283
Other	292,194	331,859	260,772	368,904	561,233	318,949	258,641	162,531	180,815	94,475
Total operating revenue before										
Signatory Airline surcharge (rebate)	17,521,957	15,817,009	16,286,910	16,113,791	16,975,844	14,883,135	16,064,499	17,452,383	16,167,865	17,152,061
Signatory Airline surcharge (rebate)	(629,067)	(330,058)	919,238	(1,081,934)	79,729	-	272,239	123,760	(20,840)	(1,684,355)
Change in allowance for doubtful accounts and collection on past due accounts	-	-	-	-	-	-	760,539	65,587	-	(614,132)
Net operating revenue	16,892,890	15,486,951	17,206,148	15,031,857	17,055,573	14,883,135	17,097,277	17,641,730	16,147,025	14,853,574
<b>Operating Expenses</b>										
Salaries and employee benefits	5,938,580	6,062,306	6,113,141	5,775,757	7,673,292	7,598,559	7,877,990	7,337,687	6,931,997	6,576,262
Supplies	126,183	127,657	92,062	94,541	94,548	108,195	126,599	137,313	113,838	147,622
Airport operations	3,971,416	3,810,784	3,670,286	3,420,416	3,536,842	3,510,081	3,673,853	3,616,886	3,328,759	3,102,026
Travel and education	295,669	259,710	275,935	279,510	264,354	352,013	405,203	461,903	383,939	321,837
Outside professional services	216,232	218,604	128,362	169,976	144,482	172,705	124,216	125,028	158,648	78,538
Marketing	559,932	623,277	543,608	429,129	207,943	187,370	387,346	318,880	401,121	467,864
Bad Debt Expense	-	-	-	46,719	147,490	-	-	-	-	-
Depreciation	9,510,939	8,997,818	8,591,418	8,698,300	8,562,304	8,532,885	8,152,567	7,774,984	7,788,237	7,140,091
Total operating expenses	20,618,951	20,100,156	19,414,812	18,914,348	20,631,255	20,461,808	20,747,774	19,772,681	19,106,539	17,834,240
Loss from operations	(3,726,061)	(4,613,205)	(2,208,664)	(3,882,491)	(3,575,682)	(5,578,673)	(3,650,497)	(2,130,951)	(2,959,514)	(2,980,666)

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

(CONTINUED)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Non-operating Revenue (Expenses)</b>										
Passenger Facility Charges (PFC's)	1,998,621	1,965,937	1,939,983	1,905,561	1,915,574	2,065,765	2,285,543	2,491,711	2,596,863	3,020,908
Contract Facility Charges (CFC's)	2,648,727	2,560,602	2,659,044	2,516,880	1,787,847	1,613,904	1,568,153	1,590,219	1,281,300	1,354,093
Investment income	61,590	84,390	70,841	48,018	95,809	84,903	606,301	1,122,087	995,269	734,618
Interest expense-net of capitalization	(2,882,309)	(3,070,260)	(3,558,086)	(3,750,660)	(4,090,938)	(4,204,442)	(4,339,560)	(4,455,635)	(4,616,787)	(5,068,766)
Amortization expense-bond issuance costs	(76,180)	(97,575)	(197,326)	(445,162)	(420,920)	(238,227)	(238,227)	(242,123)	(280,152)	(198,883)
Natural resources revenue (timber sales)	-	-	-	-	-	48,000	-	-	-	-
Bond issuance costs	(102,696)	(297,973)	-	-	-	-	-	-	-	-
Capital assets transferred to City of Cayce	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale / retirement of assets	30,000	-	-	121,354	(1,511,460)	-	(744,087)	(1,077,466)	517,219	-
Other revenue	-	-	-	56,485	-	-	-	-	-	-
Net non-operating revenue (expenses)	<u>1,677,753</u>	<u>1,145,121</u>	<u>914,456</u>	<u>452,476</u>	<u>(2,224,088)</u>	<u>(630,097)</u>	<u>(861,877)</u>	<u>(571,207)</u>	<u>493,712</u>	<u>(158,030)</u>
Loss from operations and net non-operating revenue (expenses) before capital contributions	(2,048,308)	(3,468,084)	(1,294,208)	(3,430,015)	(5,799,770)	(6,208,770)	(4,512,374)	(2,702,158)	(2,465,802)	(3,138,696)
<b>Capital Contributions</b>										
Grant revenue	2,571,987	10,596,170	3,325,400	2,698,665	12,963,580	3,496,004	10,541,151	5,049,078	6,332,824	5,700,292
Other grants	8,422	639,976	-	-	-	-	-	-	-	-
Net change in net position	532,101	7,768,062	2,031,192	(731,350)	7,163,810	(2,712,766)	6,028,777	2,346,920	3,867,022	2,561,596
Beginning of year, net position	106,436,123	98,668,061	96,154,115	100,215,389	93,051,579	95,764,345	89,735,568	87,388,648	83,521,626	80,960,030
End of year, net position	<u>\$ 106,968,224</u>	<u>\$ 106,436,123</u>	<u>\$ 98,185,307</u>	<u>\$ 99,484,039</u>	<u>\$ 100,215,389</u>	<u>\$ 93,051,579</u>	<u>\$ 95,764,345</u>	<u>\$ 89,735,568</u>	<u>\$ 87,388,648</u>	<u>\$ 83,521,626</u>

Note: Certain amounts of the 2012 net position have been restated upon implementation of GASB 65.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

REVENUE BY SOURCE

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Revenue</b>										
Airfield landing fees	\$ 3,009,351	\$ 2,784,743	\$ 3,268,845	\$ 3,370,969	\$ 3,642,910	\$ 2,167,511	\$ 2,612,124	\$ 2,531,524	\$ 2,116,514	\$ 2,240,932
Leased sites	7,800,949	6,782,216	6,702,583	6,464,225	6,469,045	6,673,715	7,369,583	8,199,709	8,119,345	9,217,485
Terminal rents and commissions	6,419,463	5,918,191	6,054,710	5,909,693	6,302,656	5,722,960	5,824,151	6,558,619	5,751,191	5,774,283
Other	292,194	331,859	260,772	368,904	561,233	318,949	258,641	162,531	180,815	94,475
Signatory Airline surcharge (rebate)	(629,067)	(330,058)	919,238	(1,081,934)	79,729	-	272,239	123,760	(20,840)	(1,684,355)
Change in allowance for doubtful accounts and collection on past due accounts	-	-	-	-	-	-	760,539	65,587	-	(614,132)
Total operating revenue	<u>16,892,890</u>	<u>15,486,951</u>	<u>17,206,148</u>	<u>15,031,857</u>	<u>17,055,573</u>	<u>14,883,135</u>	<u>17,097,277</u>	<u>17,641,730</u>	<u>16,147,025</u>	<u>15,028,688</u>
<b>Non-Operating Revenue</b>										
Passenger Facility Charges	1,998,621	1,965,937	1,939,983	1,905,561	1,915,574	2,065,765	2,285,543	2,491,711	2,596,863	3,020,908
Contract Facility Charges	2,648,727	2,560,602	2,659,044	2,516,880	1,787,847	1,613,904	1,568,153	1,590,219	1,281,300	1,178,979
Investment income	61,590	84,390	70,841	48,018	95,809	84,903	606,301	1,122,087	995,269	734,618
Gain (loss) on sale/retirement of assets	-	-	-	121,354	(1,511,460)	-	-	-	-	-
Gain on sale of assets	30,000	-	-	-	-	48,000	-	-	517,219	-
Other revenues	-	-	-	56,485	-	-	-	-	-	-
Capital Contributions	2,580,409	11,236,146	3,325,400	2,698,665	12,963,580	3,496,004	10,541,151	5,049,078	6,332,824	5,700,292
Total revenue	<u>\$ 24,212,237</u>	<u>\$ 31,334,026</u>	<u>\$ 25,201,416</u>	<u>\$ 22,378,820</u>	<u>\$ 32,306,923</u>	<u>\$ 22,191,711</u>	<u>\$ 32,098,425</u>	<u>\$ 27,894,825</u>	<u>\$ 27,870,500</u>	<u>\$ 25,663,485</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

EXPENSES BY TYPE

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Expenses</b>										
Salaries and employee benefits	\$ 5,938,580	\$ 6,062,306	\$ 6,113,141	\$ 5,775,757	\$ 7,673,292	\$ 7,598,559	\$ 7,877,990	\$ 7,337,687	\$ 6,931,997	\$ 6,576,262
Supplies	126,183	127,657	92,062	94,541	94,548	108,195	126,599	137,313	113,838	147,622
Airport operations	3,971,416	3,810,784	3,670,286	3,420,416	3,536,842	3,510,081	3,673,853	3,563,102	3,413,442	3,202,979
Travel and education	295,669	259,710	275,935	279,510	264,354	352,013	405,203	461,903	383,939	321,837
Outside professional services	216,232	218,604	128,362	169,976	144,482	172,705	124,216	125,028	158,648	78,538
Marketing	559,932	623,277	543,608	429,129	207,943	187,370	387,346	318,880	401,121	467,864
Change in inventory valuation	-	-	-	-	-	-	-	53,784	(84,683)	(100,953)
Bad Debt Expense	-	-	-	46,719	147,490	-	-	-	-	-
Depreciation	9,510,939	8,997,818	8,591,418	8,698,300	8,562,304	8,532,885	8,152,567	7,774,984	7,788,237	7,140,091
<b>Total operating expenses</b>	<b>20,618,951</b>	<b>20,100,156</b>	<b>19,414,812</b>	<b>18,914,348</b>	<b>20,631,255</b>	<b>20,461,808</b>	<b>20,747,774</b>	<b>19,772,681</b>	<b>19,106,539</b>	<b>17,834,240</b>
<b>Non-operating Expenses</b>										
Interest expense-net of capitalization	2,882,309	3,070,260	3,558,086	3,750,660	4,090,938	4,204,442	4,339,560	4,455,635	4,616,787	5,068,766
Amortization expense	76,180	97,575	197,326	445,162	420,920	238,227	238,227	242,123	280,152	198,883
Other expenses	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	102,696	297,973	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	-	-	-	-	-	744,087	1,077,466	-	-
Capital assets transferred to City of Cayce	-	-	-	-	-	-	-	-	-	-
<b>Total non-operating expenses</b>	<b>3,061,185</b>	<b>3,465,808</b>	<b>3,755,412</b>	<b>4,195,822</b>	<b>4,511,858</b>	<b>4,442,669</b>	<b>5,321,874</b>	<b>5,775,224</b>	<b>4,896,939</b>	<b>5,267,649</b>
<b>Special Items</b>										
Arbitrage rebate amount	-	-	-	-	-	-	-	-	-	-
Proceeds of litigation settlement	-	-	-	-	-	-	-	-	-	-
<b>Net special items</b>	<b>-</b>									
<b>Total expenses by type</b>	<b>\$ 23,680,136</b>	<b>\$ 23,565,964</b>	<b>\$ 23,170,224</b>	<b>\$ 23,110,170</b>	<b>\$ 25,143,113</b>	<b>\$ 24,904,477</b>	<b>\$ 26,069,648</b>	<b>\$ 25,547,905</b>	<b>\$ 24,003,478</b>	<b>\$ 23,101,889</b>

Note: Amortization expense was restated in 2013 and this schedule was prepared prospectively.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

PASSENGER ENPLANEMENTS BY AIRLINE

LAST TEN FISCAL YEARS

Airline	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Delta &amp; Affiliates:</b>										
Delta Airlines	104,369	87,421	89,882	62,906	27,169	14,091	44,422	63,292	79,563	98,256
Atlantic Coast Airlines	-	-	-	-	-	-	-	-	-	-
Atlantic Southeast	108,456	99,484	93,227	126,052	142,941	147,752	124,637	130,291	127,623	108,954
Chautauqua	1,596	20,823	17,374	10,825	8,315	1,618	1,740	9,848	10,746	7,220
Comair	-	-	86	2,190	10,198	5,333	7,747	6,508	9,213	100,503
Shuttle America	-	-	43	-	64	396	3,354	-	-	-
Mesa / Freedom	-	-	-	-	3,485	10,161	7,188	-	-	-
Pinnacle	1,503	10,022	21,168	10,388	9,943	1,167	-	-	-	-
<b>Total Delta Affiliates</b>	<b>215,924</b>	<b>217,750</b>	<b>221,780</b>	<b>212,361</b>	<b>202,115</b>	<b>180,518</b>	<b>189,088</b>	<b>209,939</b>	<b>227,145</b>	<b>314,933</b>
<b>US Airways &amp; Affiliates:</b>										
US Airways	-	-	-	-	-	-	-	-	28,320	4,251
Piedmont	16,307	20,266	12,794	11,154	13,408	27,730	28,304	22,991	15,072	14,478
Chautauqua	-	5,754	28,010	43,625	32,114	9,416	9,517	-	-	-
PSA	17,097	16,046	12,444	18,320	18,924	46,027	50,623	77,467	58,735	-
Mesa	-	-	-	-	-	-	-	-	-	126,913
Mesa / Freedom	-	-	70	-	-	-	-	19,805	-	2,976
Air Wisconsin	126,216	105,919	97,131	68,489	80,456	54,280	43,485	35,974	50,770	-
Republic	338	372	741	848	331	-	-	-	-	-
<b>Total US Airways &amp; Affiliates</b>	<b>159,958</b>	<b>148,357</b>	<b>151,190</b>	<b>142,436</b>	<b>145,233</b>	<b>137,453</b>	<b>131,929</b>	<b>156,237</b>	<b>152,897</b>	<b>148,618</b>
<b>United Airlines &amp; Affiliates</b>										
Atlantic Southeast Airlines	-	-	-	61,228	54,428	-	-	-	-	-
Atlantic Coast Airlines	-	-	-	-	-	-	-	-	-	-
Mesa	-	-	-	-	15,860	83,141	91,444	106,661	114,838	102,924
Express Jet	70,348	68,762	73,045	11,111	8,907	-	-	-	-	-
<b>Total United Airlines &amp; Affiliates</b>	<b>70,348</b>	<b>68,762</b>	<b>73,045</b>	<b>72,339</b>	<b>79,195</b>	<b>83,141</b>	<b>91,444</b>	<b>106,661</b>	<b>114,838</b>	<b>102,924</b>
<b>Continental Airlines &amp; Affiliates</b>										
Continental	-	-	-	-	475	36,452	39,154	42,702	-	-
Express Jet	23,435	22,464	13,584	21,017	-	-	-	-	-	-
Atlantic Southeast Airlines	-	-	-	-	-	-	-	-	-	-
Chautauqua	-	-	-	-	-	2,423	13,456	7,067	-	-
Continental Express	-	-	-	-	22,779	-	-	-	60,117	49,427
<b>Total Continental Airlines &amp; Affiliates</b>	<b>23,435</b>	<b>22,464</b>	<b>13,584</b>	<b>21,017</b>	<b>23,254</b>	<b>38,875</b>	<b>52,610</b>	<b>49,769</b>	<b>60,117</b>	<b>49,427</b>
<b>American Eagle</b>	<b>41,681</b>	<b>42,329</b>	<b>39,847</b>	<b>40,476</b>	<b>40,713</b>	<b>40,570</b>	<b>38,808</b>	<b>40,627</b>	<b>42,480</b>	<b>6,992</b>
Independence Air	-	-	-	-	-	-	-	-	578	72,248
Northwest	-	-	-	-	2,088	27,500	49,194	48,912	44,004	37,483
Allegiant Air	157	106	1,127	1,032	-	10,045	-	1,088	789	-
Spirit Airlines	-	-	-	-	-	2,260	15,447	-	-	-
Vision	118	940	1,233	2,260	-	-	-	-	-	-
Swift	-	27	-	-	-	-	-	-	-	-
Republic Airlines	2,148	2,189	-	-	-	-	-	-	-	-
<b>Total passenger enplanements</b>	<b>513,769</b>	<b>502,924</b>	<b>501,806</b>	<b>491,921</b>	<b>492,598</b>	<b>520,362</b>	<b>568,520</b>	<b>613,253</b>	<b>642,848</b>	<b>732,625</b>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE REVENUE PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Airfield landing fees	\$ 3,009,351	\$ 2,784,743	\$ 3,268,845	\$ 3,370,969	\$ 3,642,910	\$ 2,167,511	\$ 2,612,124	\$ 2,531,524	\$ 2,116,514	\$ 2,240,932
Less: Cargo landing fees	(1,167,173)	(1,056,376)	(1,210,960)	(1,265,591)	(1,388,546)	(954,498)	(1,301,172)	(1,208,494)	(991,571)	(973,581)
Passenger airline landing	1,842,178	1,728,367	2,057,885	2,105,378	2,254,364	1,213,013	1,310,952	1,323,030	1,124,943	1,267,351
Terminal rentals	3,507,459	3,154,881	3,193,173	3,224,603	3,646,964	3,021,039	2,888,848	3,597,581	2,864,561	2,979,561
Signatory passenger airline (rebate) / surcharge	(565,376)	(219,650)	742,251	(870,260)	(19,104)	-	113,834	60,889	(12,350)	(1,064,459)
Total	\$ 4,784,261	\$ 4,663,598	\$ 5,993,309	\$ 4,459,721	\$ 5,882,224	\$ 4,234,052	\$ 4,313,634	\$ 4,981,500	\$ 3,977,154	\$ 3,182,453
Enplaned passengers	513,769	502,924	501,806	491,921	492,598	519,374	568,520	613,233	642,848	732,625
Airline revenue per enplaned passenger	\$ 9.31	\$ 9.27	\$ 11.94	\$ 9.07	\$ 11.94	\$ 8.15	\$ 7.59	\$ 8.12	\$ 6.19	\$ 4.34

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

CONCESSION REVENUES PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

Category	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Rental Car Counter Rentals and Concessions	\$ 2,045,677	\$ 1,935,361	\$ 2,031,203	\$ 2,001,403	\$ 1,970,132	\$ 1,986,126	\$ 2,168,693	\$ 2,222,915	\$ 2,225,201	\$ 2,106,598
Restaurant and Gift Shop	459,175	459,631	426,591	397,831	402,447	430,993	483,815	482,244	439,995	466,738
Other	63,316	78,822	81,735	80,969	83,703	81,841	72,838	71,933	73,754	74,287
Total	<u>2,568,168</u>	<u>2,473,814</u>	<u>2,539,529</u>	<u>2,480,203</u>	<u>2,456,282</u>	<u>2,498,960</u>	<u>2,725,346</u>	<u>2,777,092</u>	<u>2,738,950</u>	<u>2,647,623</u>
Enplaned Passengers	<u>513,769</u>	<u>502,924</u>	<u>501,806</u>	<u>491,921</u>	<u>492,598</u>	<u>520,362</u>	<u>568,520</u>	<u>613,233</u>	<u>642,848</u>	<u>732,625</u>
Concession Revenue per Enplaned Passenger	<u>\$ 5.00</u>	<u>\$ 4.92</u>	<u>\$ 5.06</u>	<u>\$ 5.04</u>	<u>\$ 4.99</u>	<u>\$ 4.80</u>	<u>\$ 4.79</u>	<u>\$ 4.53</u>	<u>\$ 4.26</u>	<u>\$ 3.61</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
 OPERATING EXPENSES (BEFORE DEPRECIATION) PER ENPLANED PASSENGER  
 LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total operating expenses	\$ 20,618,951	\$ 20,100,156	\$ 19,414,812	\$ 18,914,348	\$ 20,631,255	\$ 20,480,774	\$ 20,747,774	\$ 19,772,681	\$ 19,106,539	\$ 17,834,240
Less, depreciation	(9,510,939)	(8,997,818)	(8,591,418)	(8,698,300)	(8,562,304)	(8,532,884)	(8,152,567)	(7,774,984)	(7,788,237)	(7,140,091)
Total operating expenses before depreciation	11,108,012	11,102,338	10,823,394	10,216,048	12,068,951	11,947,890	\$12,595,207	\$11,997,697	\$11,318,302	\$10,694,149
Enplaned passengers	513,769	502,924	501,806	491,921	492,598	519,374	568,520	613,233	642,848	732,625
Operating expense (before depreciation) per enplaned passengers	<u>\$ 21.62</u>	<u>\$ 22.08</u>	<u>\$ 21.57</u>	<u>\$ 20.77</u>	<u>\$ 24.50</u>	<u>\$ 22.97</u>	<u>\$ 22.15</u>	<u>\$ 19.56</u>	<u>\$ 17.61</u>	<u>\$ 14.60</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF DEBT SERVICE COVERAGE

LAST TEN FISCAL YEARS

Year	Gross Revenue	Net Revenue	Other Available Funds	Series Security	Net Revenue Available For Debt Service	Annual Debt Service Requirement	Coverage
2014	\$ 23,381,126	\$ 6,044,797	\$ 1,000,000	\$ 1,998,621	9,043,418	\$ 4,658,550	1.94
2013	31,653,950	5,744,890	2,000,000	1,965,937	9,710,827	6,011,933	1.62
2012	25,201,416	7,464,402	1,000,000	1,939,983	10,404,385	6,180,754	1.68
2011	22,378,820	6,560,834	2,000,000	1,905,561	10,466,395	6,204,210	1.69
2010	32,306,923	4,940,086	3,000,000	1,915,574	9,855,660	6,446,065	1.53
2009	22,191,711	4,528,262	4,000,000	2,065,765	10,594,027	7,220,756	1.47
2008	32,098,425	5,141,685	3,000,000	2,285,543	10,427,228	7,287,914	1.43
2007	27,894,825	6,532,548	3,000,000	2,491,711	12,024,259	7,372,872	1.63
2006	27,870,500	5,545,013	3,000,000	2,238,970	10,783,983	6,480,922	1.66
2005	25,663,485	5,100,973	2,000,000	2,096,362	9,197,335	6,185,682	1.49

Note: The District is required by debt covenants to maintain the sum of Net Revenues and Series Security of 125% of the Adjusted Debt Service Requirement for such fiscal year. The District has pledged future revenue net of specified operating expenses.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE OPERATION DATA (LANDING & TAKEOFFS)

LAST TEN FISCAL YEARS

	2014 Market		2013 Market		2012 Market		2011 Market		2010 Market		2009 Market		2008 Market		2007 Market		2006 Market		2005 Market	
Passenger Airlines	2014	Share	2013	Share	2012	Share	2011	Share	2010	Share	2009	Share	2008	Share	2007	Share	2006	Share	2005	Share
<b>Delta Air Lines &amp; Affiliates</b>																				
Delta Air Lines	987	6.98%	933	6.19%	1,011	6.76%	653	4.15%	325	2.13%	231	1.35%	539	2.65%	669	3.28%	910	4.25%	1,046	4.30%
Atlantic Coast Airlines	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Atlantic Southeast Airlines	2,463	17.42%	2,280	15.14%	2,087	13.94%	2,932	18.64%	3,554	23.27%	3,707	21.63%	3,232	15.89%	3,248	15.91%	3,210	15.01%	3,131	12.86%
Chautauqua	49	0.35%	601	3.99%	522	3.49%	362	2.30%	245	1.60%	55	0.32%	47	0.23%	-	0.00%	321	1.50%	273	1.12%
Comair	-	0.00%	-	0.00%	3	0.02%	55	0.35%	287	1.88%	172	1.00%	257	1.26%	166	0.81%	254	1.19%	3,018	12.39%
Shuttle America	-	0.00%	-	0.00%	1	0.01%	-	0.00%	1	0.01%	14	0.08%	78	0.38%	-	0.00%	-	0.00%	-	0.00%
Mesa /Freedom	-	0.00%	-	0.00%	-	0.00%	-	0.00%	94	0.62%	262	1.53%	233	1.15%	618	3.03%	-	0.00%	-	0.00%
Pinnacle	51	0.36%	284	1.89%	414	2.77%	256	1.63%	269	1.76%	22	0.13%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total Delta Air Lines &amp; Affiliates</b>	<b>3,550</b>	<b>25.11%</b>	<b>4,098</b>	<b>27.21%</b>	<b>4,038</b>	<b>26.98%</b>	<b>4,258</b>	<b>27.07%</b>	<b>4,775</b>	<b>31.26%</b>	<b>4,463</b>	<b>26.04%</b>	<b>4,386</b>	<b>21.56%</b>	<b>4,701</b>	<b>23.02%</b>	<b>4,695</b>	<b>21.95%</b>	<b>7,468</b>	<b>30.67%</b>
<b>US Airways &amp; Affiliates</b>																				
Piedmont	407	2.88%	617	4.10%	435	2.91%	357	2.27%	340	2.23%	860	5.02%	1,147	5.64%	742	3.63%	497	2.32%	429	1.76%
Chautauqua	-	0.00%	162	1.08%	843	5.63%	1,432	9.10%	1,005	6.58%	319	1.86%	342	1.68%	305	1.49%	-	0.00%	-	0.00%
PSA	454	3.21%	441	2.93%	360	2.41%	602	3.83%	558	3.65%	1,422	8.30%	1,897	9.32%	2,379	11.65%	1,952	9.13%	-	0.00%
Mesa	-	0.00%	-	0.00%	3	0.02%	6	0.04%	8	0.05%	4	0.02%	11	0.05%	3	0.01%	986	4.61%	3,940	16.18%
Air Wisconsin	3,213	22.72%	3,007	19.97%	2,739	18.30%	2,064	13.12%	2,415	15.81%	1,781	10.39%	1,378	6.77%	1,062	5.20%	820	3.83%	161	0.66%
Republic	5	0.04%	6	0.04%	12	0.08%	14	0.09%	6	0.04%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total US Airways &amp; Affiliates</b>	<b>4,079</b>	<b>28.85%</b>	<b>4,233</b>	<b>28.11%</b>	<b>4,392</b>	<b>29.35%</b>	<b>4,475</b>	<b>28.45%</b>	<b>4,332</b>	<b>28.36%</b>	<b>4,386</b>	<b>25.59%</b>	<b>4,775</b>	<b>23.47%</b>	<b>4,491</b>	<b>21.99%</b>	<b>4,255</b>	<b>19.89%</b>	<b>4,530</b>	<b>18.60%</b>
<b>United Airlines &amp; Affiliates</b>																				
United	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	2,939	13.74%	2,508	10.30%
Atlantic Coast Airlines	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Atlantic Southeast Airlines	-	0.00%	-	0.00%	-	0.00%	1,897	12.06%	1,705	11.16%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Mesa	-	0.00%	-	0.00%	-	0.00%	4	0.03%	506	3.31%	2,708	15.80%	2,919	14.35%	2,988	14.63%	493	2.30%	-	0.00%
Express Jet	2,506	17.72%	2,573	17.08%	2,136	14.27%	306	1.95%	238	1.56%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total United Airlines &amp; Affiliates</b>	<b>2,506</b>	<b>17.72%</b>	<b>2,573</b>	<b>17.08%</b>	<b>2,136</b>	<b>14.27%</b>	<b>2,207</b>	<b>14.03%</b>	<b>2,449</b>	<b>16.03%</b>	<b>2,708</b>	<b>15.80%</b>	<b>2,919</b>	<b>14.35%</b>	<b>2,988</b>	<b>14.63%</b>	<b>3,432</b>	<b>16.04%</b>	<b>2,508</b>	<b>10.30%</b>
<b>Continental Airlines &amp; Affiliates</b>																				
Continental	-	0.00%	-	0.00%	-	0.00%	-	0.00%	5	0.03%	950	5.54%	798	3.92%	934	4.58%	1,731	8.09%	1,456	5.98%
Express Jet	-	0.00%	-	0.00%	399	2.67%	402	2.56%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Atlantic Southeast Airlines	-	0.00%	-	0.00%	-	0.00%	95	0.60%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Chautauqua	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	173	1.01%	752	3.69%	424	2.07%	-	0.00%	-	0.00%
Continental Express	-	0.00%	-	0.00%	-	0.00%	55	0.35%	657	4.30%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total Continental</b>					<b>399</b>	<b>2.67%</b>	<b>552</b>	<b>3.51%</b>	<b>662</b>	<b>4.33%</b>	<b>1,123</b>	<b>6.55%</b>	<b>1,550</b>	<b>7.62%</b>	<b>1,358</b>	<b>6.65%</b>	<b>1,731</b>	<b>8.09%</b>	<b>1,456</b>	<b>5.98%</b>
American Eagle	1,025	7.25%	1,033	6.86%	1,041	6.96%	1,056	6.71%	1,083	7.09%	1,084	6.33%	1,148	5.64%	1,076	5.27%	1,177	5.50%	186	0.76%
Northwest	-	0.00%	-	0.00%	-	0.00%	-	0.00%	91	0.60%	896	5.23%	1,390	6.83%	1,374	6.73%	1,396	6.53%	1,132	4.65%
Allegiant Air	2	0.01%	4	0.03%	21	0.14%	4	0.03%	0.03%	0.00%	110	0.64%	-	0.00%	18	0.09%	8	0.04%	-	0.00%
Independence Air	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	2,282	9.37%
Republic Airlines	48	0.34%	48	0.32%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Spirit	-	0.00%	-	0.00%	-	0.00%	0.00%	0.00%	-	0.00%	25	0.15%	158	0.78%	-	0.00%	-	0.00%	-	0.00%
Vision Air	2	0.01%	14	0.09%	16	0.11%	36	0.23%	0.23%	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Swift Air	-	0.00%	2	0.01%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
CC Air (3)	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Subtotal</b>	<b>11,212</b>	<b>79.29%</b>	<b>12,065</b>	<b>79.71%</b>	<b>12,043</b>	<b>80.47%</b>	<b>12,588</b>	<b>80.03%</b>	<b>13,392</b>	<b>87.68%</b>	<b>14,795</b>	<b>86.33%</b>	<b>16,326</b>	<b>80.24%</b>	<b>16,006</b>	<b>78.38%</b>	<b>16,694</b>	<b>78.05%</b>	<b>19,562</b>	<b>80.33%</b>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE OPERATION DATA (LANDING & TAKEOFFS)

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	Market Share									
<b>Passenger Airlines</b>										
<b>Cargo Airlines</b>										
Airborne Express	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	11 0.06%	511 2.51%	507 2.48%	509 2.38%	420 1.72%
Air Cargo Carriers	743 5.25%	803 5.33%	602 4.02%	477 3.03%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Ameriflight	- 0.00%	- 0.00%	34 0.23%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Bankair	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	8 0.04%	77 0.38%	246 1.15%	396 1.63%
Emery Worldwide	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Federal Express	473 3.35%	477 3.17%	372 2.49%	477 3.03%	460 3.01%	433 2.53%	362 1.78%	471 2.31%	473 2.21%	480 1.97%
Martinaire	312 2.21%	583 3.87%	584 3.90%	722 4.59%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Mid-Atlantic Freight	- 0.00%	- 0.00%	0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Mountain Air	258 1.82%	265 1.76%	258 1.72%	262 1.67%	328 2.15%	287 1.67%	459 2.26%	766 3.75%	873 4.08%	883 3.63%
Northstar Air Cargo	- 0.00%	- 0.00%	0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
United Parcel Service	930 6.58%	928 6.16%	948 6.33%	957 6.08%	1,094 7.16%	1,611 9.40%	2,680 13.17%	2,594 12.70%	2,595 12.13%	2,611 10.72%
Wiggins Airways	212 1.50%	- 0.00%	125 0.84%	246 1.56%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
<b>Subtotal</b>	<b>2,928 20.71%</b>	<b>3,056 20.29%</b>	<b>2,923 19.53%</b>	<b>3,141 19.97%</b>	<b>1,882 12.32%</b>	<b>2,342 13.67%</b>	<b>4,020 19.76%</b>	<b>4,415 21.62%</b>	<b>4,696 21.95%</b>	<b>4,790 19.67%</b>
<b>Totals</b>	<b>14,140 100.00%</b>	<b>15,061 100.00%</b>	<b>14,966 100.00%</b>	<b>15,729 100.00%</b>	<b>15,274 100.00%</b>	<b>17,137 100.00%</b>	<b>20,346 100.00%</b>	<b>20,421 100.00%</b>	<b>21,390 100.00%</b>	<b>24,352 100.00%</b>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF INSURANCE IN FORCE

Type of Coverage	Insurer	Coverage Amount	Expiration Date
Worker's Compensation	South Carolina Accident Fund	Actual	2/17/15
Auto Comprehensive and Collision	South Carolina Insurance Reserve Fund	\$ 1,000,000	2/17/15
Data Processing	South Carolina Insurance Reserve Fund	\$ 500,000	2/17/15
Building and Personal Property	South Carolina Insurance Reserve Fund	\$ 101,919,370	2/17/15
Auto Liability	South Carolina Insurance Reserve Fund	\$ 1,000,000	2/17/15
Inland Marine	South Carolina Insurance Reserve Fund	\$ 316,500	2/17/15
General Tort Liability	South Carolina Insurance Reserve Fund	\$ 1,000,000	2/17/15
Medical Professional Liability	SC Insurance Reserve Fund	\$300K/\$600K Per Occurrence No Aggregate	2/17/15
Director/Officer	Illinois National Insurance Company	\$ 1,000,000	8/1/15
Employee Dishonesty	Travlers Insurance Company	\$ 500,000	7/14/15
Airport Liability Insurance	Global Aerospace, Inc.	\$ 150,000,000 (General Limit)	8/16/15

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

MAJOR EMPLOYERS IN THE AIR SERVICE AREA

DECEMBER 31, 2014

<u>Employer</u>	<u>Number of Employees</u>	<u>Major Product/Service</u>
State Government Agencies	37,041	Government
Palmetto Health Alliance	9,000	Healthcare
Blue Cross & Blue Shield of S.C.	6,459	Insurance
University of South Carolina.	5,997	Education
Husqvarna Outdoor Products	1,750	Manufacturing
Kraft Foods	2,800	Manufacturing
Lexington Medical Center	4,376	Healthcare
SCANA	1,900	Utilities
AT&T	2,400	Communication
Providence Hospitals	2,075	Healthcare
Amazon.com	1,200	Distribution, Logistics
Totals	<u>74,998</u>	

Source: Central SC ([www.centralsc.org](http://www.centralsc.org))

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

DEMOGRAPHIC STATISTICS

DECEMBER 31, 2014

	<u>Air Service Area</u>	<u>South Carolina</u>	<u>United States</u>
Population	1,085,298	4,774,839	316,128,839
Annual Compound Growth Rate (2013-2018)	.43%	0.63%	.79%
Projected Population (2018) (7/1/12 reporting )	1,109,060	4,926,170	328,857,000
Unemployment Rate	6.75%	6.6%	6.7%
Per Capita Income	\$ 33,225	\$ 23,943	\$ 28,155

*Source: US Census Bureau  
 South Carolina Budget and Control Board, Office of Research and Statistics  
 US Bureau of Labor Statistics  
 SC Association of Counties*

**SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS**

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR	Federal CFDA	Program / Contract	Total Expenditures
<b>U.S. Department of Transportation</b>			
Airport Improvement Program	20.106	3-45-0018-41	\$ 145,010
Airport Improvement Program	20.106	3-45-0018-42	\$ 375,507
Airport Improvement Program	20.106	3-45-0018-43	<u>\$ 2,051,470</u>
		Total AIP Expenditures	<u>\$ 2,571,987</u>
<b>U.S. Department of Homeland Security</b>			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR302	<u>\$ 116,800</u>
Total Federal Awards			<u><u>\$ 2,688,787</u></u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
 SCHEDULE OF PASSENGER FACILITY CHARGE (PFC'S) AND EXPENSES  
 YEAR ENDED DECEMBER 31, 2014

Description	Award Number	Beginning Balance	Receipts and Interest	Expenses	Ending Balance
<b>U.S. Department of Transportation Federal Aviation Administration:</b>					
Passenger Facility Charge Program	93-01-C-02- CAE	\$2,170,472	\$1,998,621	\$ (1,835,900)	\$2,333,193

*See accompanying notes to federal financial assistance.*

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
NOTES TO FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2014

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting and is being reported upon in accordance with OMB Circular A-133 *Audits of State and Local Governments and Non-Profit Organizations* (as amended).

The financial activity shown in the Schedule of Expenditure of Federal Awards reflects amounts recorded by the District during its fiscal year January 1, 2014 through December 31, 2014.

**2. Passenger Facility Charge (PFC) Program**

The accompanying Schedule of Passenger Facility Charges (PFC's) and Expenses has been prepared pursuant to the *Passenger Facility Charge Audit Guide for Public Agencies* Issued by the Federal Aviation Administration. Specific provisions of OMB Circular A-133 and related documents such as OMB Compliance Supplement and Data Collection Form are not applicable to the PFC program.

The financial activity shown in the Schedule of Passenger Facility Charges (PFC's) and Expenses reflects amounts recorded by the District during its fiscal year January 1, 2014 through December 31, 2014.

# ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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The Honorable Chairman and Members of the Airport Commission  
Richland-Lexington Airport District, South Carolina

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

I have audited in accordance with the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States, the financial statements of Richland-Lexington Airport District, South Carolina, (the "District") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated April 27, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiency in internal control over financial reporting that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

— CONTINUED —



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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.



Robert E. Seal, CPA, P.A.  
April 27, 2015  
Columbia, South Carolina

# ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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The Honorable Chairman and Members of the Airport Commission  
Richland-Lexington Airport District, South Carolina

## **Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

### **Report on Compliance for Each Major Federal Program**

I have audited the Richland-Lexington Airport District, South Carolina, (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2014. The District's major federal programs are identified in the summary of auditor's results section for 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**

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In my opinion, the District 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 December 31, 2014.



### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District'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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



April 27, 2015  
Columbia, South Carolina

ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

A Professional Association Of

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The Honorable Chairman and Members of the Airport Commission  
Richland-Lexington Airport District, South Carolina

**Report on Compliance with Requirements Applicable to the Passenger Facility Charge (PFC)  
Program and on Internal Control over Compliance**

**Report on Compliance for the Passenger Facilities Charge Program**

I have audited the Richland-Lexington Airport District, South Carolina, (the "District") types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), for its passenger facility charge program for the year ended December 31, 2014.

**Management's Responsibility**

Managements is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for the District's passenger facility charge program based on my audit of the types of compliance requirements referred to above.

I conducted my 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 Guide. Those standards and the Guide require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance, with the compliance requirements referred to above, that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of the District's compliance with those requirements.

**Opinion on Compliance for Passenger Facilities Charge Program**

In my opinion, the District complied, in all material respects with the types of compliance requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2014.

— CONTINUED —



**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing my audit of compliance, I considered the District's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency in internal control over compliance, 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 the passenger facility charge 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 the passenger facility charge 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.*

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weakness. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Accordingly this report is not suitable for any other purpose.



April 27, 2015  
Columbia, South Carolina

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

**Part I— Summary of Auditor’s Results**

**Financial Statements:**

I have issued an unmodified opinion dated April 27, 2015 on the basic financial statements of the Richland-Lexington Airport District, South Carolina, (the “District”).

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No
- Noncompliance material to financial statements noted No

**Federal Awards:**

I have issued an unmodified opinion dated April 27, 2015 on the compliance for major programs.

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

**Identification of Major Programs:**

CFDA #20.106 – Airport Improvement Program  
Dollar threshold used to distinguish between type A and type B programs: \$ 500,000  
Auditee qualified as low-risk auditee? Yes

**Part II — Financial Statement Findings**

Not applicable.

**Part III — Federal Award Findings and Questioned Costs**

None.

**Prior Year Comments:**

None.