

Richland-Lexington Airport District,
South Carolina
COLUMBIA METROPOLITAN AIRPORT



Comprehensive Annual
Financial Report
Year Ended December 31, 2016

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2016
WITH
INDEPENDENT AUDITOR'S REPORT

Prepared by:
Finance Department

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2016

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INTRODUCTORY SECTION

RICHLAND-LEXINGTON AIRPORT DISTRICT



Letter of Transmittal

July 31, 2017

To the Members of Richland-Lexington Airport District Commission

We are pleased to submit the "Comprehensive Annual Financial Report" (CAFR) of the Richland- Lexington Airport District, South Carolina (the "District") for the Fiscal Year Ended December 31, 2016 (FY 2016). 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, 2016.

The independent auditor also conducted an audit on the District's Major Federally-funded programs and awards mandated by the Code of Federal Regulations and Subpart F of the OMB Uniform Grant Guidance, 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 airport executive director and selecting the independent auditor to audit the annual financial Statement. The 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 departments – Human Resources, Air and Customer Service / Public Relations, Operations / Planning / Facilities, Public Safety and Finance / Administration. The District has approximately 63 employees.

A listing of the Commission members and an organizational chart immediately follow 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, 2016, 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 2,200 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 2015 was approximately 1,102,422.

Airlines

As of December 31, 2016 the following air carriers presently serve the Airport through a variety of operators that change periodically:

Passenger Airlines:

Delta Airlines, Inc.; American Airlines Inc.; and United Airlines.

Cargo Airlines:

Federal Express Corporation; Mountain Air Cargo; United Parcel Service Co. and contracted carriers.

Delta Air Lines and its 'code-sharing' affiliated airlines continue to account for the majority of passengers at approximately 42.82% of total 2016 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 15.58% of the airline operations (UPS and feeder carriers) at the Airport.

Airline Agreements

Airline use agreements were renegotiated in 2014 to produce successor agreements with a three-year term effective January 1, 2015 and terminating December 31, 2017. These agreements are materially similar to the previous ones, with two main differences.

The first difference is the elimination of funding for both the Operations and Maintenance and the Repair and Replacement reserve funds. The second difference is the settlement of the "Amounts due from/to signatory airlines" (accounts receivable or accounts payable, respectively) which result from the annual reconciliation of allocated airline costs to airline charges. The balance of these accounts will remain until the final reconciliation and settlement at termination of the agreements.

The new agreements remain a hybrid of both residual and compensatory rate-setting methodologies, and provide for the allocation of costs into different cost centers to determine the airline's rates and charges. The airfield is a fully residual cost center, while the terminal is compensatory. The agreements include an airline security reimbursement fee in addition to the landing fee and terminal rents paid by the airlines. The agreements also contain provisions for revenue sharing (50% to airlines and airport) and deficit responsibilities (100% to the airlines) based on the results of each year.

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 an internal 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 contract option 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 1, 2024, the date on which the District's Series 2014A&B refinancing of the Series 2001A bonds are satisfied.

The rental car agencies pay rent to the District for "on-Airport" terminal counter and office space 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 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 provides the proposed budget and 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, revenue, expenses, and changes in net position using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenue is 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,

A handwritten signature in blue ink, appearing to read "G. K. Hornsby".

Gregory K. Hornsby, CPA
Director of Finance and Administration

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
AT DECEMBER 31, 2016

Members of the Commission

James A. Compton, Chairman
James L. Whitmire, Vice Chairman

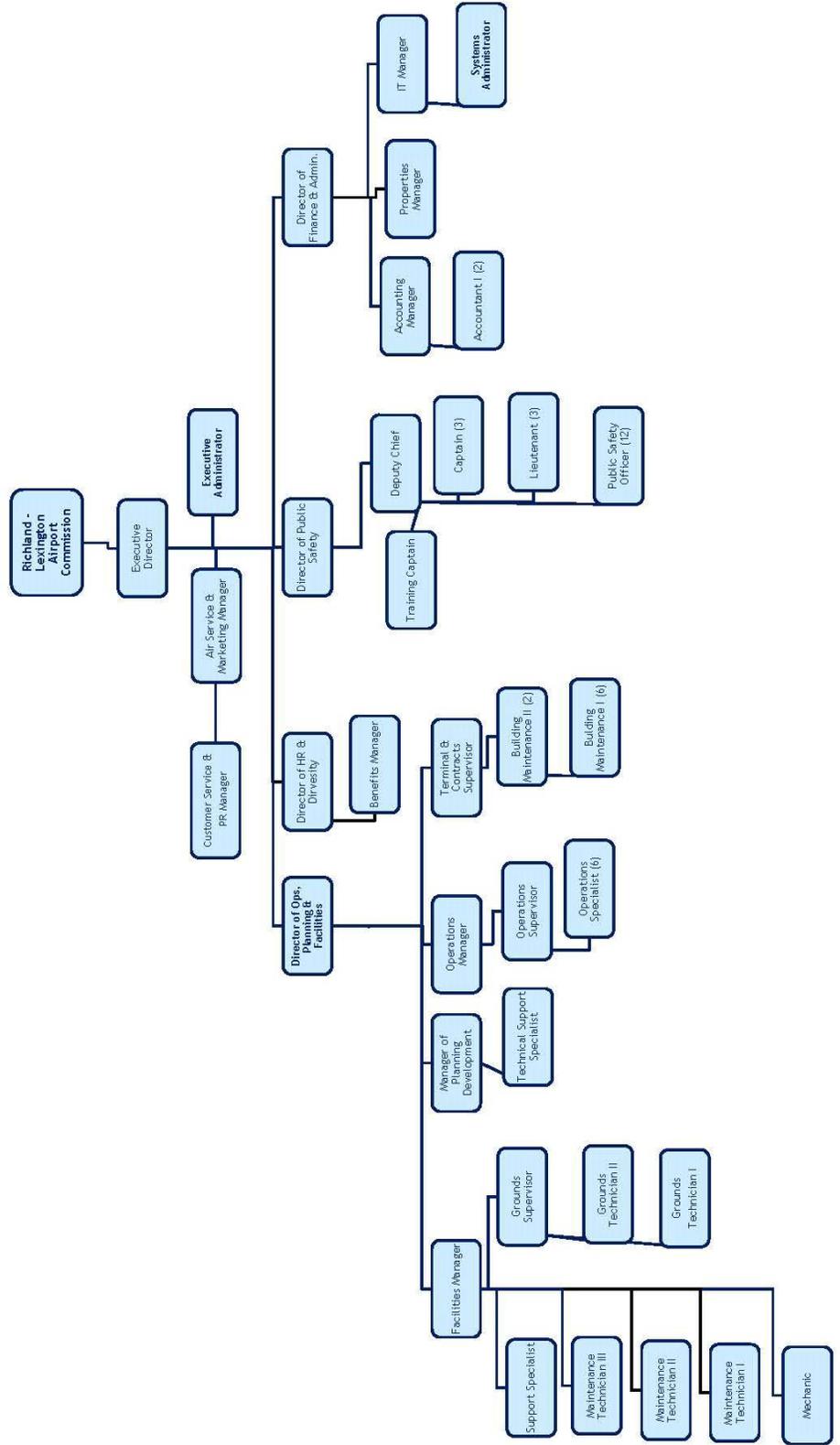
Dan P. Bell
Hazel L. Bennett
DJ Carson
Duane Cooper
William Dukes
Carol Fowler
Jerrod F. Howard
David N. Jordan
Richard N. McIntyre
F. Xavier Starkes, Esq.

Administrative Officials

Dan Mann, A.A.E., Executive Director
Chappelle Broome, SHRM-CP, PHR, MHRM, MHRD, Director of Human Resources and Diversity
Lynne Douglas, Customer Service / Public Relations Manager
Anthony Gilmer, Air Service / Marketing Manager
Michael Gula, A.A.E., Director of Operations, Planning, and Facilities
Gregory K. Hornsby, C.P.A., Director of Finance & Administration
Eddie Martin, Director of Public Safety



ORGANIZATIONAL CHART - 2016



RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

FINANCIAL SECTION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

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

A Professional Association Of

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

121 EXECUTIVE CENTER DRIVE, SUITE 206, COLUMBIA, SOUTH CAROLINA 29210
POST OFFICE BOX 1960, COLUMBIA, SOUTH CAROLINA 29202
FAX: (803) 216-9498

Columbia
Phone: (803) 772-5300

Myrtle Beach/Conway
Phone: (843) 488-5301

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"), as of and for the year ended December 31, 2016, 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 financial position of the Richland-Lexington Airport District, South Carolina, as of December 31, 2016, 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

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 Supplementary 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 Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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

The prior year summarized comparative information presented in the basic financial statements and schedules hereto, has been derived from the District's 2015 audited financial statements, and in my report dated May 31, 2016, I expressed an unmodified opinion on those financial statements and schedules.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2017 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.



July 31, 2017
Columbia, South Carolina

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2016

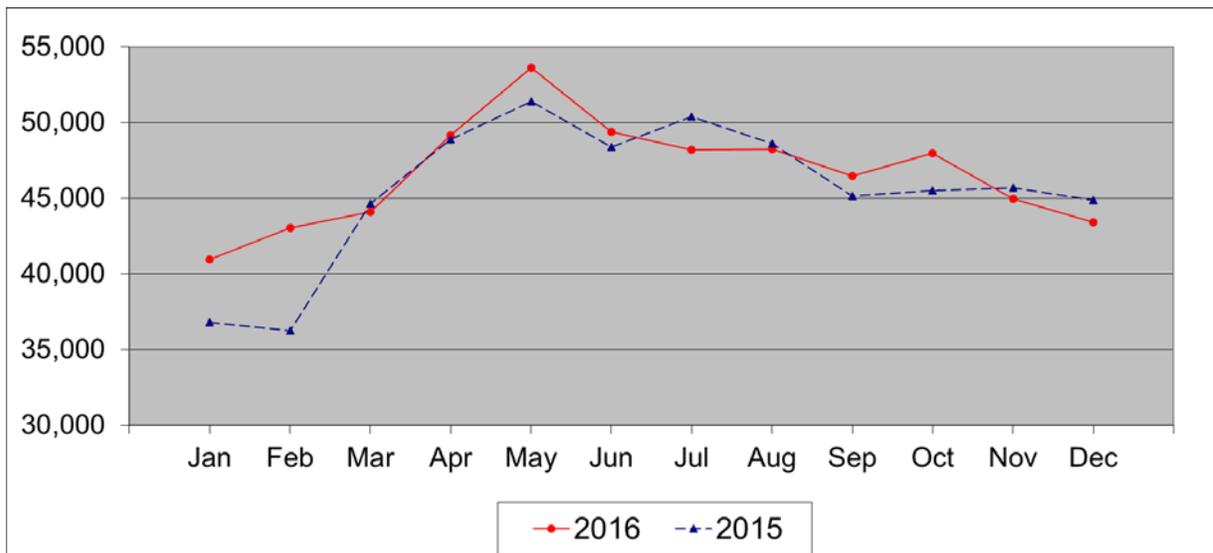
Introduction

The Richland Lexington Airport District, South Carolina, is pleased to present its Comprehensive Annual Financial Report (CAFR) in accordance with Governmental Accounting Standards Board Statement 34, entitled *Basic Financial Statement – 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, 2016 was the fifth straight year of increased enplanements. Seat capacity increased by 6.4%, however, the load factors (number of passengers compared to seats) decreased from 87% to 84%. The following are key operational and financial highlights:

- 559,523 passengers were enplaned in fiscal year 2016, which was a 2.40% increase over the 546,385 passengers enplaned in fiscal year 2015. Air service averaged 29 daily flights each month. Enplanements by month are shown in the following chart.



Operating and Financial Highlights (continued)

- Net operating revenue was \$18.0 million.
- Operating expenses before depreciation were \$11.1 million, which was a 0.60% decrease from fiscal year 2015.
- Net change in net position as a percentage of total revenue and contributions was 29.2% in fiscal year 2016, an increase from 27.4% achieved in fiscal year 2015.
- Debt service coverage ratio on the annual debt service requirement as computed per the District's Indenture of Trust was 187:1, which exceeded the required Airport Revenue Bond Indenture of Trust covenants.
- The total of cash and cash equivalents and temporary investments (not including restricted assets of the same description) decreased by \$.87 million in fiscal year 2016.
- Total assets and deferred outflows of resources at December 31, 2016 were \$181.3 million and were in excess of liabilities and deferred inflows by approximately \$118.3 million (i.e. net position). The net position is comprised of \$101.2 million invested in capital assets (net of related debt), \$11.9 million in net position that are restricted for projects, debt service, pensions, and other purposes, and \$5.2 million that is unrestricted.
- The District capitalized \$14.6 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 and \$.1 million of advance principal payments.
- Retirement expense associated with GASB 68 was \$.14 million, and when combined with the \$.61 million of changes in related Deferred Outflows of Resources and related Deferred Inflows of Resources, produced a \$.75 million increase in Net Pension Liabilities.
- The District's 2016 net position improved by \$9.6 million from 2015. The sum of total assets and deferred outflows of resources increased from 2015 balances, while the long-term debt to net position ratios improved. The increase in net position is primarily attributable to improved operating and non-operating activity before depreciation and loss on disposal of assets (respectively) and Federal grants received during 2016.

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.

Overview of Annual Financial Report (continued)

The District's financial statements include the Statement of Net Position; the Statement of Revenue, Expenses, and Changes in Net Position; the Statement of Cash Flows; and Notes to Financial Statements. The Statement of Net Position present the financial position of the District on a full accrual basis. While the Statement of Net Position provide information about the nature and amount of resources and obligations at the end of a year, the Statement of Revenue, Expenses, and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the District's recovery of its costs.

The Statement of Cash Flows present changes in cash and cash equivalents, resulting from operating, financing, and investing activities. This statement presents 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 Airport Use and Lease Agreements (the "Airline Agreements") with Delta Air Lines, Inc.(Delta), American Airlines, Inc.(American), United Airlines Inc. (United), United Parcel Service Co. (UPS) and Federal Express Corporation (FedEx) (the "Signatory Airlines"), containing substantially similar provisions, and are described in *Note 5*. Each Airline Agreement was effective January 1, 2015 and expires on December 31, 2017.

Revenue 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 District'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.

Summary of Organization and Business (continued)

The airfield cost center is residual, meaning that the Signatory 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.

Airlines are either signatory parties to the agreement, or non-signatories. Signatory Airlines participate in a defined allocation of net revenue or revenue deficits, depending on the annual results of the District's operations through December 31, 2016. 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, American, and United. Cargo air carrier services are provided by UPS and contracted "feeder" airline carriers, FedEx, and Mountain Air Cargo. Of these carriers, Mountain Air Cargo, and the UPS "feeder" airlines were non-signatory airlines in 2016.

Non-airline customers and tenants include a retail concessionaire, a food concessionaire, rental car agencies, a military support service, federal and state government agencies, corporate aviation, fixed-based operators and an aircraft maintenance organization. The District owns commercial rental property that is a combination of office, warehouse, and flexible-use spaces with tenants whose lease terms vary from 3-6 years.

The District owns an industrial park adjacent to the Airport. The park is occupied by Flextronics (computers), Akebono (automotive), Allied Air (construction), Beverage South (distribution), CEE-US (utilities), L & L Products (automotive), Harsco Rail (transportation), and Westinghouse (energy). The remainder of the park is available for future development and sale.

The District serves as Grantee and Operator for Foreign Trade Zone ("FTZ") 127 which has a service area encompassing Aiken, Allendale, Bamberg, Barnwell, Calhoun, Clarendon, Edgefield, Fairfield, Kershaw, Lee, Lexington, McCormick, Newberry, Richland, Saluda and Sumter counties. FTZ-127 covers 108.53 acres of the Columbia Metropolitan Airport complex. Komatsu America Corporation (Newberry County) and Isola USA Corporation (Fairfield County), operate as usage-driven sites of FTZ-127. Additionally, JBE Incorporated in Darlington County SC. is an authorized sub-zone of FTZ-127. Revenues are generated in the form of fees from FTZ board-approved operating sites.

Financial Analysis

The following condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding year-to-year variances are included in each section by the name of the statement or account.

CONDENSED STATEMENT OF NET POSITION

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets and Deferred Outflows of Resources:		
Current assets (unrestricted)	\$ 12,948,402	\$ 13,993,145
Current assets (restricted)	11,885,381	8,150,644
Capital assets, net	152,914,020	149,523,326
Other assets, net	1,872,016	1,872,016
Deferred outflows of resources	<u>1,710,643</u>	<u>1,306,852</u>
Total Assets and Deferred Outflows of Resources	\$ <u>181,330,462</u>	\$ <u>174,845,983</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities (unrestricted)	\$ 405,518	\$ 547,382
Current liabilities (payable from restricted assets)	6,393,139	5,526,805
Non-current liabilities	55,514,711	59,165,986
Deferred inflows of resources	<u>690,602</u>	<u>837,010</u>
Total Liabilities and Deferred Inflows	<u>63,003,970</u>	<u>66,077,183</u>
Net Position:		
Net investment in capital assets	101,187,940	94,229,760
Restricted	11,920,945	8,202,480
Unrestricted	<u>5,217,607</u>	<u>6,336,560</u>
Total Net Position	<u>118,326,492</u>	<u>108,768,800</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ <u>181,330,462</u>	\$ <u>174,845,983</u>

Statement of Net Position

The District's liquidity improved in 2016. The current ratio (current unrestricted assets divided by current unrestricted liabilities) increased to 31.93:1 from 25.56:1 in 2015, due largely to the decreases in accounts payable and accrued payroll payable.

Statement of Net Position (continued)

The total of cash and temporary investments (current assets, unrestricted) decreased by \$.9 million. In December 2016, the District elected to transfer \$1.8M of unrestricted cash into the Series 2015A and 2015B trust accounts for additional redemptions on January 1, 2017. The District had 242.67 days cash on hand to meet operating and debt service funding needs, as compared to 252.14 days in 2015. See *Note 3* for a detailed discussion of deposits and temporary investments.

Accounts receivable, net are comprised of trade receivables from airlines, tenants, parking and concessionaires decreased by \$74,586. 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 28.17 from 30.13 in 2015. Additionally, the note receivable related to a prior year real estate transaction decreased by approximately \$8,000. A summary of receivables is presented in *Note 4*.

The balances for the total of inventory and prepaid expenses have declined by \$94,086 from the 2015 balances.

Restricted cash decreased by \$2.0 million due to a transfer of \$2.4 million of Passenger Facility Charges (PFCs) to the Series 2015A & 2015B trust accounts included in Restricted temporary investments.

Restricted temporary investments increased by \$5.0 million from the above-mentioned transfers of unrestricted and restricted cash for a total of \$4.2 million of additional redemption on January 1, 2017 and \$.8 million of increased funded bond principal payments required by the new Series 2015A and 2015B payment schedules.

Grant funds receivable increased from the prior year by approximately \$777,000, which is largely related to AIP 44 and 45 funding for a passenger circulation project.

Capital assets net of accumulated depreciation increased by approximately \$3.4 million. Asset increases of \$12.8 million were offset by an increase of accumulated depreciation of \$9.4 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 42,43,44 & 45), the District added \$10.3 million of assets to the airfield and buildings consisting of taxiway improvements, fire station, terminal mechanical equipment, terminal passenger circulation upgrades and jetbridges. Contract Facility Charges (CFCs) funded \$.1 million of the rental car ready return project. Self-funded projects of \$3.8 million included equipment and miscellaneous small rehabilitation projects additions to the terminal, leased site facilities, and equipment. The District also retired \$1.4 million of undepreciated taxiway cost as part of the above AIP-funded project.

Other Assets include the improvements to the investment in CAE Enterprise Park, which is held for future use and sale. These improvements are not depreciated and are addressed in *Note 8*.

Deferred losses on bond refunding, net were affected by normal amortization and accretion of individual Series' losses and gains on refunding. No additional bond transactions were executed in 2016.

Deferred outflows of resources related to pensions is discussed in detail in *Note 9*.

Statement of Net Position (continued)

Current “unrestricted” liabilities decreased by approximately \$.14 million, due primarily to the decreases in accounts payable and accrued payroll, which are partially offset by the increase in unearned revenue.

Current liabilities payable from restricted assets increased by \$.9 million. The majority of the increase (\$.7 million) is an increase in the current portion of Series 2015A & 2015B bonds payable.

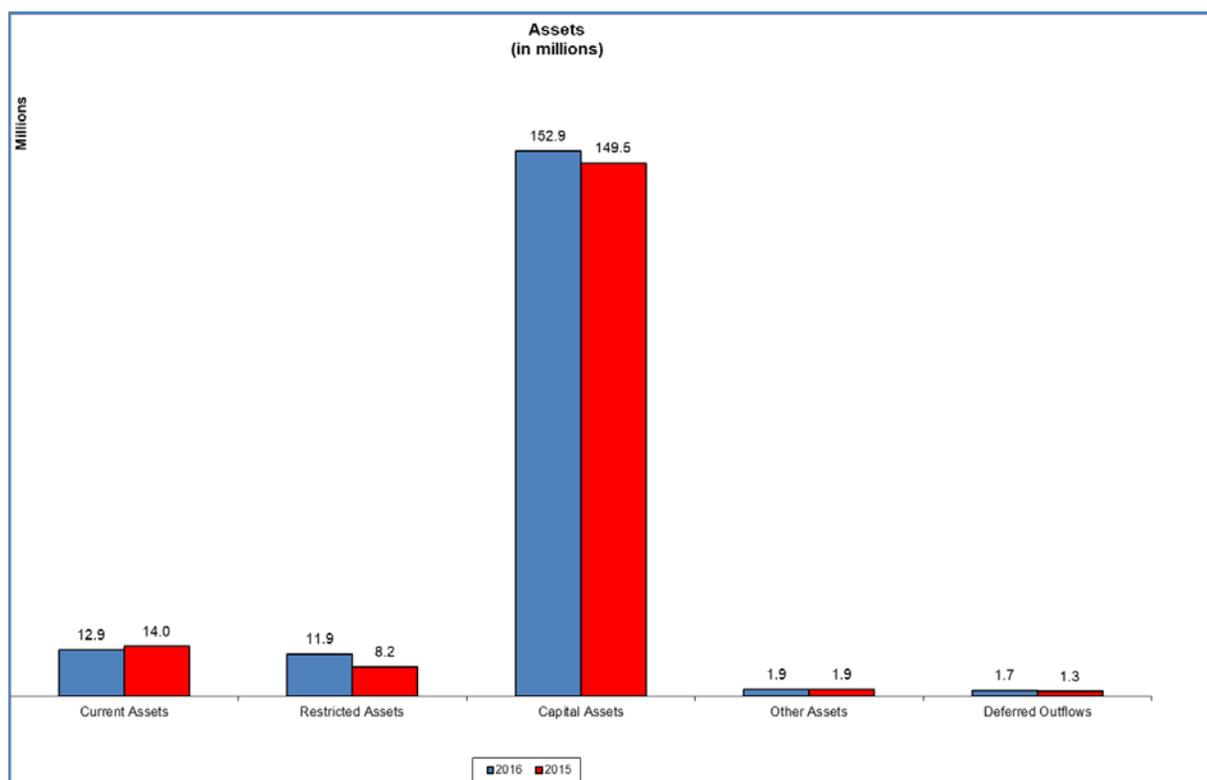
Compensated absences balance is materially unchanged from 2015.

Bonds payable in total (current and non-current) decreased by \$3.7 million of scheduled principal payments. Bond activity is detailed in *Note 7*.

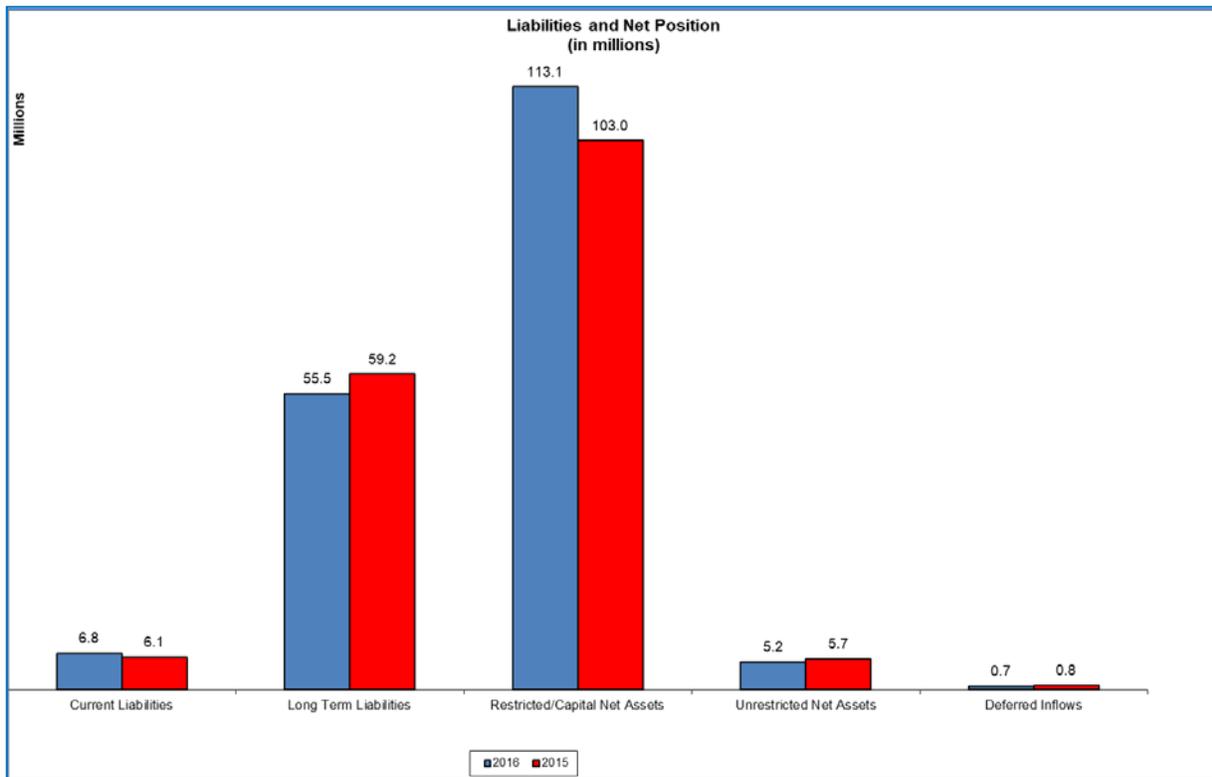
No changes to the retiree health benefit were made in 2016, and the liability at December 31, 2016 increased \$0.1 million from 2015. Further discussion of this subject is presented in *Note 12*.

Net pension liabilities and deferred inflows of resources in total increased by \$.6 million, and are discussed in detail in *Note 9*.

Total net position increased by \$9.6 million. The total of restricted and capital net position components increased by \$10.7 million and unrestricted net position decreased by \$1.1 million. See *Note 10* for a comparative summary of net position components.



Statement of Net Position (continued)



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

Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Total operating revenue		
before Signatory Airline rebate	\$ 18,031,118	\$17,759,219
Signatory Airline rebate	(17,180)	(16,582)
Net operating revenue	<u>18,013,938</u>	<u>17,742,637</u>
Operating expenses (before depreciation)	11,111,419	11,087,578
Depreciation	10,357,465	9,629,268
Total operating expenses	<u>21,468,884</u>	<u>20,716,846</u>
Loss from operations	(3,454,946)	(2,974,209)
Net non-operating revenue	3,580,963	3,615,388
Capital contributions	9,431,675	7,936,937
Net change in net position	<u>\$ 9,557,692</u>	<u>\$ 8,578,116</u>

CONDENSED STATEMENT OF REVENUE AND CONTRIBUTIONS

Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Landing fees	\$ 3,058,465	\$ 3,023,126
Leased sites	8,292,628	8,149,427
Terminal rent	6,437,252	6,286,408
Passenger Facility Charges (PFCs)	2,266,345	2,166,112
Contract Facility Charges (CFCs)	3,258,051	2,810,362
Capital contributions	9,431,675	7,936,937
Interest income	91,366	63,592
Other	242,773	300,258
Gain (loss) on sale of assets, net and other	(353,900)	580,873
Signatory airline (rebate) surcharge	(17,180)	(16,582)
Total revenue and contributions	<u>\$ 32,707,475</u>	<u>\$31,300,513</u>

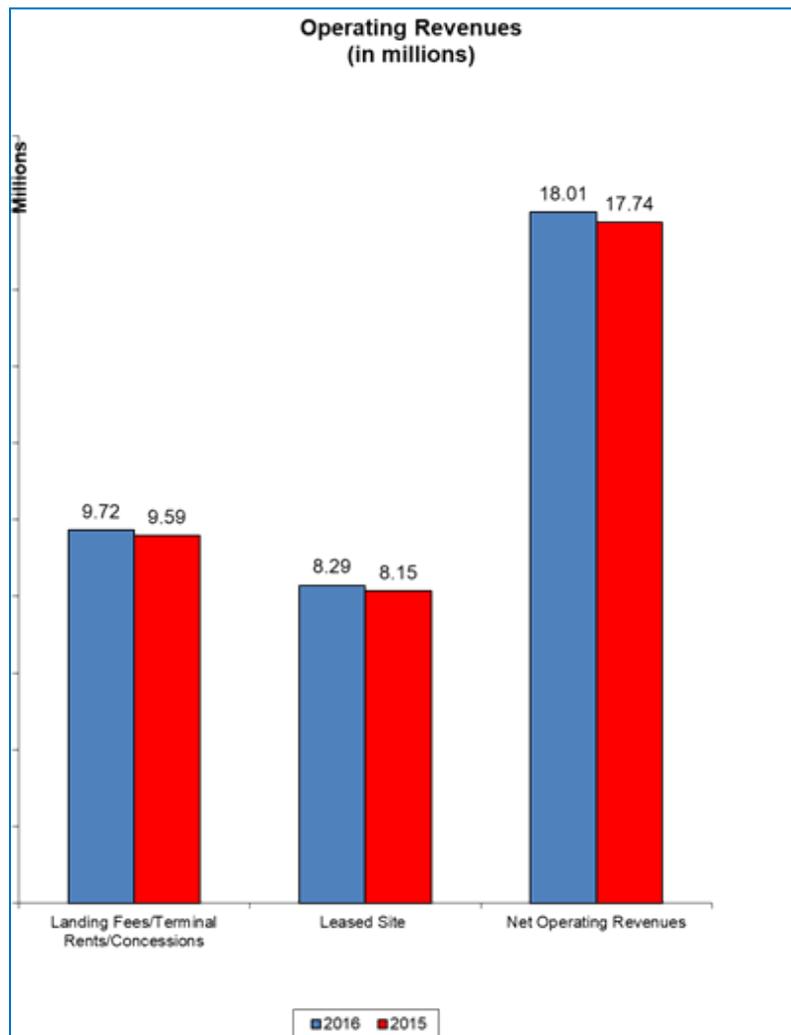
Operating Revenue

Revenue from operations is comprised of airfield landing fees, tenant rentals, airline security revenue. Total operating revenue of \$18.0 million is an increase of \$.3 million from the 2015 amount. The increase is attributable to a \$.3 million increase in parking revenue.

The Signatory Airline rebate is materially unchanged from 2015. The District used \$1.8 million of operating cash to defease portions of the Series 2015A and Series 2015B bonds which was charged to the Signatory Airlines. Both series of bonds are allocated to the airfield and terminal cost center, “under billing” of landing fees and terminal rents materially offset the revenue sharing component of the reconciliation.

The 2016 signatory airline rates were: landing fees of \$2.93 per 1,000 lbs of certificated landed weight, terminal rental rates of \$36.11 per square foot, and security fee reimbursement of \$1.26 per enplaned passenger.

Parking rates remained a maximum of \$8.00 for surface parking and \$12.00 per day for the garage. The “Fast Lane” service for \$6.00 per day in the surface parking continued throughout 2016.



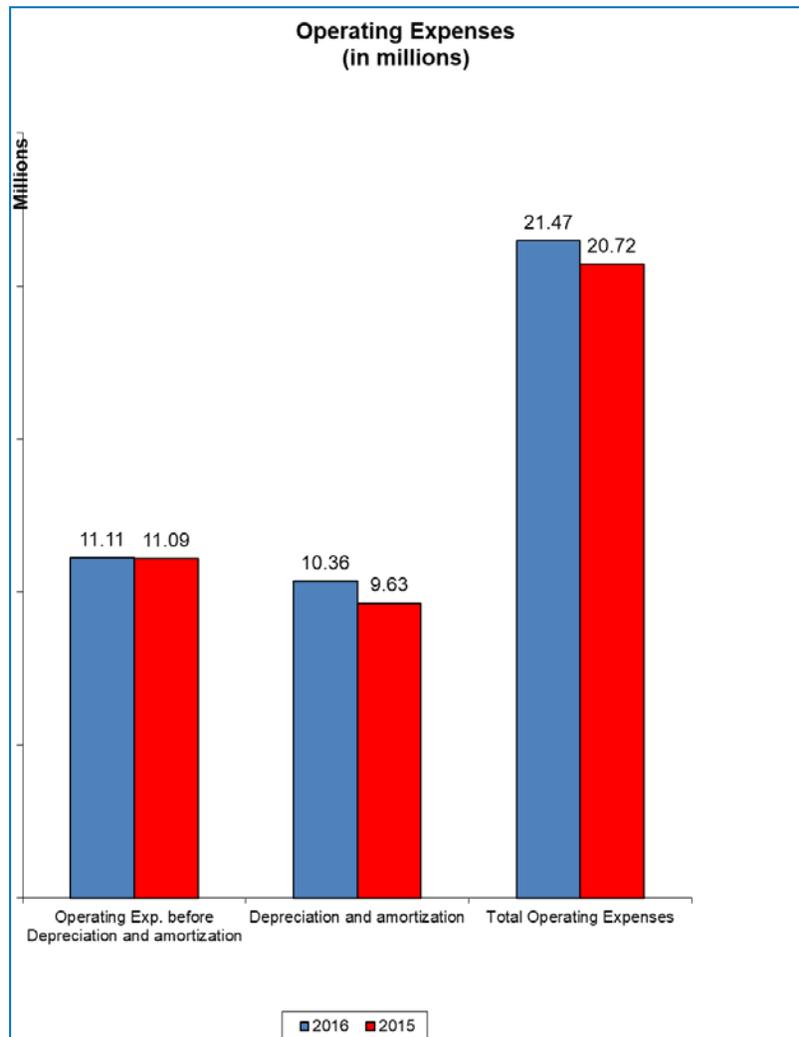
CONDENSED STATEMENT OF EXPENSES

Years Ended December 31,

	2016	2015
Operating expenses	\$ 21,468,884	\$20,716,846
Non-operating expenses	1,680,899	2,005,551
Total Expenses	\$ 23,149,783	\$22,722,397

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 2015 amount. Depreciation expense of \$10.4 million was an increase of \$.7 million from 2015.



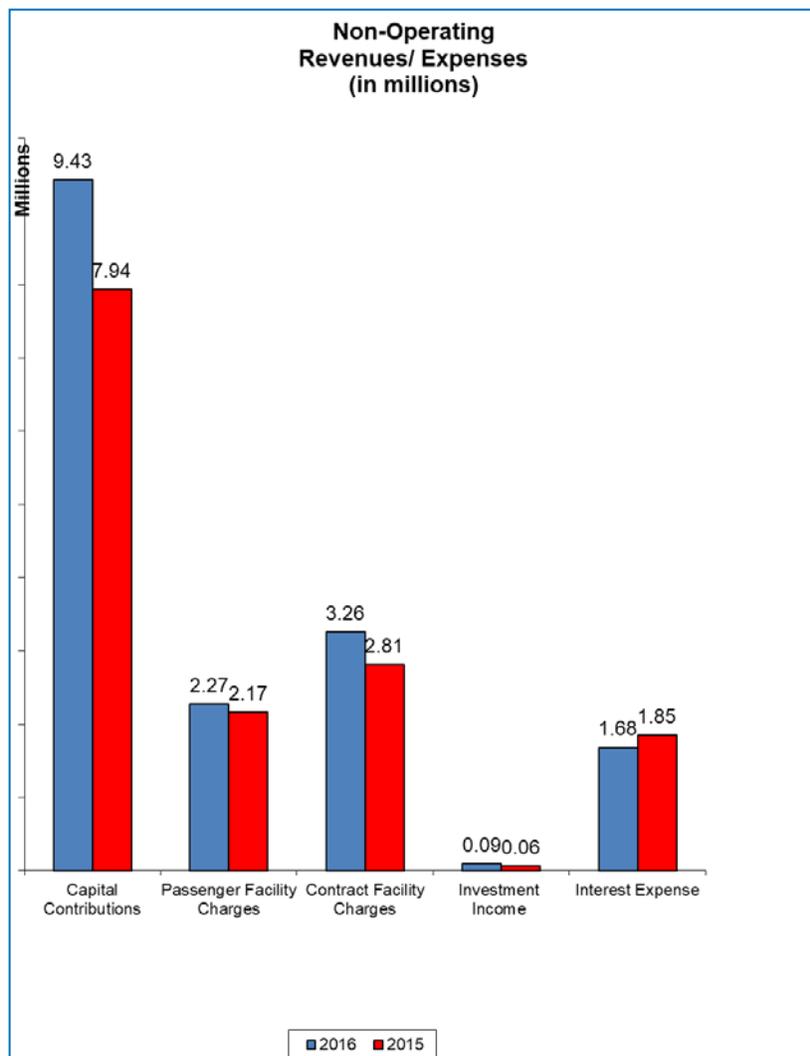
Non-Operating Revenue and Expenses

Non-operating Revenue 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 \$2.3 million was a \$.1 million increase from 2015, and CFC revenue of \$3.2 million was \$.4 million more than 2015 collections. The changes in PFC revenue is consistent with the previously discussed enplanement trend. While CFC increases reflect greater rental car contract days.

Investment income of approximately \$91,000 was an improvement over the 2015 income of approximately \$64,000. Interest expense was \$0.2 million less than the previous year. This decrease is due to the savings from the Series 2004 and Series 2005 refinancing. Additional details of the 2016 bond payable activity is provided in *Note 7*.

Airport Improvement Program (AIP) grant revenue from the Federal Aviation Administration (FAA) was \$9.4 million. These funds are reimbursement for projects previously discussed.



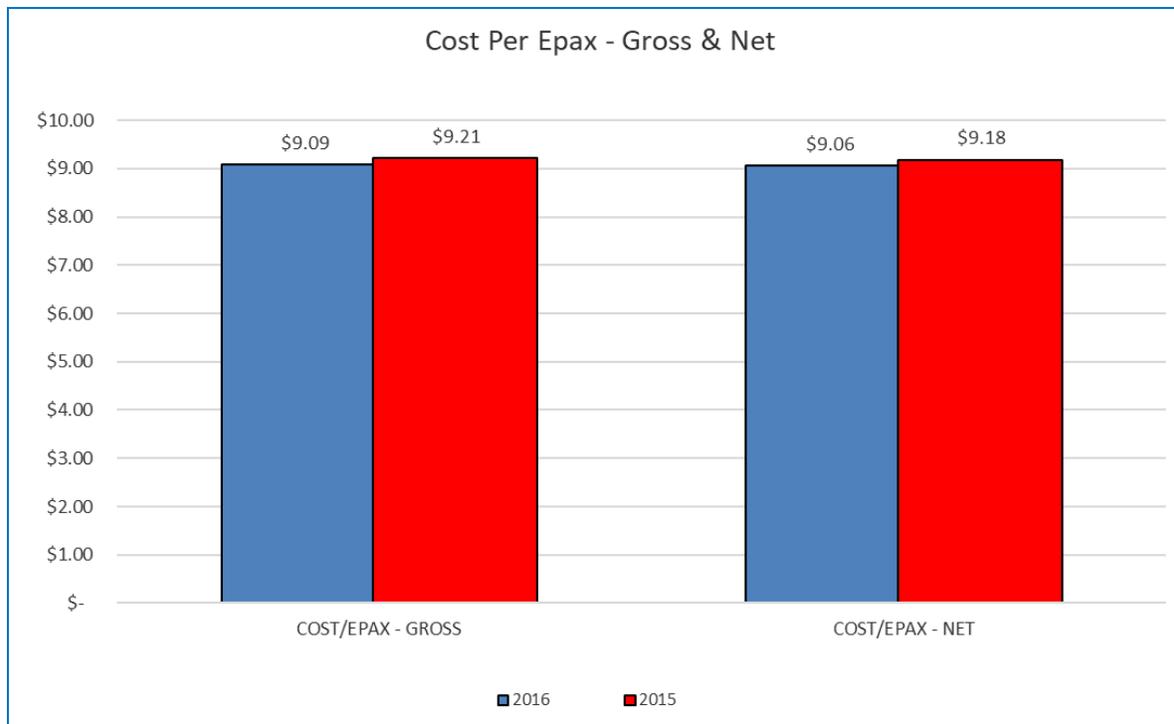
General Trends and Significant Events

Enplaned passenger traffic increased by 2.40% in 2016, resulting in 5 consecutive years of enplanement growth for the first time since deregulation . Seat capacity increased 6.4%, indicating the airline's belief in the growth potential for this market. However, the last two months of the year saw slight enplanement losses from the same months in 2015 as the legacy carriers increased fares. This was not enough to erase the gains made throughout the year, and with an overall increased capacity, Management expects to see a return to competitive ticket pricing.

Operating expense levels (excluding depreciation) were consistent with 2015. 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 decreased, reflecting a full year of refinanced bonds from 2015. AIP grants increased significantly as the Taxiway A project and terminal mechanical system project were completed.

The cost per enplanement is slightly less than 2015, as shown below.



Final Comments

The District's financial position remains strong in 2016, as evidenced by the current ratio and a lower debt to equity (net position) ratio. The funding of a \$4.2 million defeasance payment on the Series 2015A & Series 2015B bonds for January 1, 2017 will continue to improve the debt to equity ratio with a marginal impact on day's cash on hand. This management of debt as well as operating expense will allow the District to keep the cost per enplanement below airline benchmarks and allow the District to remain competitive for airline resources and service at Columbia Metropolitan Airport.

AUDITED BASIC FINANCIAL STATEMENTS

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF NET POSITION

DECEMBER 31, 2016

(With comparative amounts at December 31, 2015)

	2016	2015
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 2,287,825	\$ 3,222,217
Temporary investments	8,647,740	8,581,340
Accounts receivable, net	1,391,620	1,466,206
Notes receivable	187,227	195,306
Inventory	188,547	196,767
Prepaid expenses	245,443	331,309
	12,948,402	13,993,145
Restricted assets:		
Cash and cash equivalents	1,150,388	3,158,770
Temporary investments	9,748,244	4,781,682
Grant funds receivable	986,749	210,192
	11,885,381	8,150,644
Total current assets	24,833,783	22,143,789
Non-current assets:		
Capital assets:		
Capital assets, net of depreciation	130,869,801	126,955,592
Capital assets not subject to depreciation	22,044,219	22,567,734
Total capital assets, net	152,914,020	149,523,326
Other assets:		
Other assets, net	1,872,016	1,872,016
Total other assets	1,872,016	1,872,016
Total non-current assets	154,786,036	151,395,342
Total assets	179,619,819	173,539,131
Deferred Outflows of Resources		
Deferred losses on bond refundings, net	426,501	487,000
Deferred outflows of resources related to pensions	1,284,142	819,852
Total deferred outflows of resources	1,710,643	1,306,852
Total assets and deferred outflows of resources	\$ 181,330,462	\$ 174,845,983

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF NET POSITION

-CONTINUED-

	2016	2015
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	\$ 173,590	\$ 359,000
Accrued payroll and withholdings	84,729	141,920
Unearned revenue	113,437	28,298
Amounts due to airlines - signatory rebate	33,762	16,582
Amount due to others	-	1,582
	405,518	547,382
 Current liabilities payable from restricted assets:		
Construction project payable	1,274,983	1,147,198
Bonds payable - current portion	4,338,358	3,579,376
Accrued interest payable	779,798	800,231
	6,393,139	5,526,805
Total current liabilities	6,798,657	6,074,187
 Non-current liabilities:		
Compensated absences	252,204	254,783
Bonds payable	46,112,739	50,566,992
OPEB obligation	1,629,350	1,575,830
Net pension liabilities	7,520,418	6,768,381
Total non-current liabilities	55,514,711	59,165,986
Total liabilities	62,313,368	65,240,173
 Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	690,602	837,010
 Net Position:		
Net investment in capital assets	101,187,940	94,229,760
Restricted for:		
Capital projects	986,749	210,192
Debt service	9,748,244	4,771,920
Pensions	219,352	215,293
Other purposes	966,600	3,005,075
Unrestricted	5,217,607	6,336,560
Total net position	118,326,492	108,768,800
Total liabilities, deferred inflows of resources and net position	\$ 181,330,462	\$ 174,845,983

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2016

(With comparative amounts year ended December 31, 2015)

	2016	2015
Operating Revenue		
Airfield landing fees	\$ 3,058,465	\$ 3,023,126
Leased sites	8,292,628	8,149,427
Terminal rents and commissions	6,437,252	6,286,408
Other	242,773	300,258
Total operating revenue before Signatory Airline rebate	18,031,118	17,759,219
Signatory Airline rebate	(17,180)	(16,582)
Net operating revenue	18,013,938	17,742,637
Operating Expenses		
Salaries and employee benefits	5,689,811	5,529,378
Supplies	108,891	88,262
Airport operations	4,100,578	4,463,873
Travel and education	350,968	283,126
Outside professional services	215,244	181,611
Marketing	645,927	541,328
Depreciation	10,357,465	9,629,268
Total operating expenses	21,468,884	20,716,846
Loss from operations	(3,454,946)	(2,974,209)
Non-operating Revenue (Expenses)		
Passenger Facility Charges (PFC's)	2,266,345	2,166,112
Contract Facility Charges (CFC's)	3,258,051	2,810,362
Interest income	91,366	63,592
Interest expense	(1,680,899)	(1,852,170)
Bond issuance costs	-	(153,381)
Gain (loss) on sale (disposal) of assets, net and other	(353,900)	580,873
Net non-operating revenue	3,580,963	3,615,388
Income from operations and net non-operating revenue before capital contributions	126,017	641,179
Capital Contributions		
Federal grants	9,407,091	7,900,853
Other capital grants	24,584	36,084
Total capital contributions	9,431,675	7,936,937
Net change in net position	9,557,692	8,578,116
Beginning of year, net position	108,768,800	100,190,684
End of year, net position	\$ 118,326,492	\$ 108,768,800

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

(With comparative amounts year ended December 31, 2015)

	2016	2015
Cash Flow from Operating Activities		
Cash received from customers	\$ 18,198,922	\$ 17,614,095
Cash paid to employees for services	(5,554,721)	(5,245,437)
Cash paid to suppliers	(5,514,515)	(5,605,193)
Net cash provided by (used in) operating activities	7,129,686	6,763,465
Cash Flow from Capital and Related Financing Activities		
Proceeds from bond issuance	-	27,900,000
Capital contributions received	8,655,118	7,889,517
Acquisition and construction of capital assets	(13,946,131)	(11,849,511)
Redemption of long term debt	(66,846)	(29,561,845)
Principal paid on long term debt	(3,579,651)	(3,282,173)
Interest paid	(1,732,749)	(3,091,970)
Sale of resources	15,000	-
Bond issuance costs	-	(153,381)
Passenger Facility Charges (PFCs) collected	2,266,345	2,166,112
Contract Facility Charges (CFCs) collected	3,258,051	2,810,362
Proceeds from sale of capital assets	-	1,074,261
Net cash provided by (used in) capital and related financing activities	(5,130,863)	(6,098,628)
Cash Flow from Investing Activities		
Purchases of investments	(10,088,813)	(51,589,181)
Proceeds from sales of investments	5,055,850	50,970,166
Investment income	91,366	63,592
Net cash provided by (used in) provided by investing activities	(4,941,597)	(555,423)
Net increase (decrease) in cash and cash equivalents	(2,942,774)	109,414
Cash and cash equivalents at beginning of year	6,380,987	6,271,573
Cash and cash equivalents at end of year	\$ 3,438,213	\$ 6,380,987

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF CASH FLOWS

-CONTINUED-

	2016	2015
Reconciliation of operating loss to net cash provided by operating activities		
Loss from operations	\$ (3,454,946)	\$ (2,974,209)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	10,357,465	9,629,268
Changes in other assets and liabilities:		
Decrease (increase) in accounts and notes receivable	82,665	(46,823)
Increase (decrease) in amounts due to signatory airlines	17,180	(23,305)
(Increase) decrease in inventory	8,220	(1,923)
Decrease in prepaid expenses	85,866	5,059
Decrease in other assets	-	500
Increase (decrease) in accounts payable	(185,410)	(45,621)
Increase (decrease) in accrued expenses and compensated absences	(59,770)	168,468
Increase (decrease) in unearned revenue and amounts due to others	83,557	(63,422)
Increase in OPEB obligation	53,520	107,474
Increase in net pension liability	752,037	207,258
(Increase) decrease in deferred outflows related to pensions	(464,290)	(416,121)
(Decrease) increase in deferred inflows related to pensions	(146,408)	216,862
Net cash provided by operating activities	\$ 7,129,686	\$ 6,763,465
Reconciliation of cash and cash equivalents		
Cash and cash equivalents - unrestricted	\$ 2,287,825	\$ 3,222,217
Cash and cash equivalents - restricted	1,150,388	3,158,770
Total cash and cash equivalents	\$ 3,438,213	\$ 6,380,987

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 Statement – and Management’s Discussion and Analysis – For State and Local Governments*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 2989 FASB and AICPA Pronouncements*.

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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Net position and revenue, expenses, and changes in net position are reflected using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenue is recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue 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 revenue 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 restricted by either externally imposed legal or contractual requirements. At December 31, 2016, 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 \$5,000 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 – 5 to 8 years

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 1. Summary of Significant Accounting Policies (continued)

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 Statement. 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.

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 associated with land held for future use and sale. See *Note 8* for further details of the components of other assets.

Deferred Outflows, Deferred Inflows, Net Pension Liability – Pursuant to GASB Concepts Statement No. 4, "deferred outflow of resources" is a consumption of net position (assets minus liabilities) by the government that is applicable to a future period, while an "asset" is a resource with present service capacity that the government presently controls. A "deferred inflow of resources" is an acquisition of net position by the government that is applicable to a future reporting period, while a "liability" is a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred outflows and inflows of resources are reported separate from assets and liabilities, respectively, in the Statement of Net Position.

See *Note 9* for further details on the discussion and presentation of the factors affecting Deferred Outflows related to pensions, Deferred Inflows related to pensions, and Net Pension Liability. See *Note 7* for further details on Deferred Outflows related to deferred losses on bond refundings.

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 12*).

Compensated Absences (Accrued Vacation) - The District maintains a policy that allows employees to carryover an amount not to exceed 45 days. 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 revenue, expenses, and contributions of capital. Net position is classified in the following three components: net investment 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. Net position restricted for capital projects, debt service, pensions, and other purpose consist of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 1. Summary of Significant Accounting Policies (continued)

and enabling legislation. Unrestricted net position consists of all other net position not included in the above categories. See *Notes 9 and 10* for further details.

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

In addition, lease revenue from airlines for the year ended December 31, 2016 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-reimbursement 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 received 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 received 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, 2016, 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 revenue and expenses during the reporting period.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 1. Summary of Significant Accounting Policies (continued)

Estimates are used to determine depreciation expense, the allowance for doubtful accounts receivable, bad debt expense, Signatory Airline rebate or surcharge, pension and related assumptions, and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Comparative Data – The 2016 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, 2015, from which the summarized information was derived.

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, 2016, the District operated under a \$19,644,719 budget, of which \$6,067,010 was related to the District’s long-term debt service, \$11,178,635 was related to the District’s operations before depreciation and \$1,025,280 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, 2016, the carrying amount of the District’s cash deposits with financial institutions was \$3,437,562 and the financial institution’s balances totaled \$3,695,222. Of the balance, approximately \$686,119 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.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 3. Deposits and Temporary Investments (continued)

Deposits include demand deposits at December 31, 2016 as follows:

		Bank Balances		
	Carrying Amounts	Demand Deposits	Money Market Funds	Totals
Funds with financial institutions	\$ 2,287,175	\$ 2,544,834	\$ –	\$ 2,544,834
Funds on hand	650	–	–	–
Unrestricted cash and equivalents	\$ 2,287,825	\$ 2,544,834	\$ –	\$ 2,544,834
Restricted cash and cash equivalents	\$ 1,150,388	\$ 1,150,388	\$ –	\$ 1,150,388

Temporary Investments

The District’s investments are carried at fair value. At December 31, 2016 the District had the following investments subject to interest rate risk:

	Fair Value	Maturity
Unrestricted State Treasurer's Investment Pool	\$ 8,647,740	60 days weighted average of portfolios
Restricted Money Market Funds	\$ 9,748,242	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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 3. Deposits and Temporary Investments (continued)

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.

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, 2016, 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, which comprise 53.0% of the District’s total investments.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

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	2016
Airfield landing fees	\$ 371,096
Leased sites	76,587
Terminal building	511,557
Parking and other fees	412,014
Other	20,366
Net accounts receivable	\$ 1,391,620
Note receivable	\$ 187,227
Grant funds receivable	\$ 986,749

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, maturing on January 1, 2019.

Management considers the allowance for uncollectible accounts at December 31, 2016 to be immaterial.

Restricted grant funds receivable at December 31, 2016 include receivables of \$986,749 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., American Airlines, United Airlines Inc., United Parcel Service Co., and Federal Express Corporation (the “Signatory Airlines”), containing substantially similar provisions. Each Airline Agreement is effective January 1, 2015, and expires on December 31, 2017.

Pursuant to the Airline Agreement, the Signatory Airlines are charged an 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, and 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. The two material differences between the current and predecessor agreements are the discontinuation of reserve account funding (Operating and Maintenance Expense, and Renewal and Replacement Fund), and the single reconciliation settlement discussed below.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 5. Signatory Airline Contracts (continued)

In accordance with the new Signatory airline agreements, the results of the annual reconciliations affecting the Statement of Revenue, Expenses, and Changes in Net Position for the years ended December 31, 2015 through December 31, 2017 will be combined (“netted”) into one balance recorded on the Statement of Net Position for the same years. Settlement of this balance will be made at the expiration of the agreements. The balance for the Airline Agreements as of December 31, 2016 is shown below:

Accounts	2016
Amounts due to airlines - signatory rebate	\$ 33,762

Note 6. Capital Assets

A summary of changes in capital assets during the year ended December 31, 2016 is as follows:

Capital Assets	Balance				Balance
Not subject to depreciation:	12/31/2015	Additions	Retirements	Transfers	12/31/2016
Land	\$ 13,558,798	\$ -	\$ -	\$ -	\$ 13,558,798
Construction-in-progress	6,199,409	14,191,867	(112,986)	(14,602,396)	5,675,894
Avigation Easement	2,809,527	-	-	-	2,809,527
Total capital assets not depreciated	22,567,734	14,191,867	(112,986)	(14,602,396)	22,044,219
<u>Subject to depreciation:</u>					
Airfield	121,436,441	10,705	(1,324,607)	6,734,452	126,856,991
Buildings	138,605,143	27,473	-	7,280,861	145,913,477
Furniture, Vehicles, Equipment	10,168,482	-	-	587,083	10,755,565
Total capital assets subject to depreciation	270,210,066	38,178	(1,324,607)	14,602,396	283,526,033
<u>Less: accumulated depreciation</u>					
Airfield	(64,164,837)	(4,566,116)	955,707	-	(67,775,246)
Buildings	(71,184,094)	(5,111,646)	-	-	(76,295,740)
Furniture, Vehicles, Equipment	(7,905,543)	(679,703)	-	-	(8,585,246)
Total accumulated depreciation	(143,254,474)	(10,357,465)	955,707	-	(152,656,232)
Net capital assets subject to depreciation	126,955,592	(10,319,287)	(368,900)	14,602,396	130,869,801
Net capital assets	\$ 149,523,326	\$ 3,872,580	\$ (481,886)	\$ -	\$ 152,914,020

Total depreciation expense for the year ended December 31, 2016 equaled \$10,357,465. For the year ended December 31, 2015 interest expense was capitalized for construction projects in the amount of \$43,143.

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, net pension liabilities and other post-employment benefits) at December 31, 2016:

Bonds Payable

Outstanding Debt	12/31/2016
Taxable Airport Revenue Bonds, Series 2001B	\$ 12,410,000
\$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.	
Airport Refunding Revenue Bonds, Series 2014A	3,820,000
\$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.	
Taxable Airport Refunding Revenue Bonds, Series 2014B	475,000
\$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.	
Airport Refunding Revenue Bonds, Series 2015A	14,690,000
\$15,930,000 Bonds of 2015 due in annual installments of \$1,240,000 to \$1,775,000 through January 1, 2025 with interest at 2.16%. Issued to refund Series 2004 Airport Revenue Bonds.	
Airport Refunding Revenue Bonds, Series 2015B	11,370,000
\$11,970,000 Bonds of 2015 due in annual installments of \$1,240,000 to \$1,775,000 through January 1, 2026 with interest at 2.02%. Issued to refund Series 2005 Airport Revenue Bonds.	
Total revenue bonds payable	42,765,000
Airport General Obligation Refunding Bonds, Series 2013	6,035,000
\$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.	
Airport Special Facility Bond, 2013	1,204,008
\$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.	
Total Bonds Payable	\$ 50,004,008

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, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds payable	\$ 53,650,505	\$ -	\$ (3,646,497)	\$ 50,004,008
Plus, net amounts for original issuance premiums				447,089
Less, current portion due within one year				(4,338,358)
Net long-term bonds payable				\$ 46,112,739

Principal and interest paid during the current year and were \$5,379,245. Total “Net Revenues” as defined by the District’s Indenture of Trust (before Series Security) was \$5,524,916.

The future annual requirements of bonded debt at December 31, 2015 are as follows:

Years Ended December 31,	Principal	Interest	Total
2017	\$ 4,338,646	\$ 1,679,454	\$ 6,018,100
2018	4,470,786	1,550,721	6,021,507
2019	4,598,144	1,416,027	6,014,171
2020	4,740,692	1,276,297	6,016,989
2021	4,835,739	1,131,282	5,967,021
2022-2026	21,490,000	3,478,728	24,968,728
2027-2031	5,530,000	980,670	6,510,670
	\$ 50,004,008	\$ 11,513,180	\$ 61,517,187

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 7. Long-Term Debt (continued)

Pledged Revenue

Pursuant to Bond Indenture of Trusts, substantially all of the District's operating revenue, net of expenses, is pledged for bonds repayment. The District is required by its Indenture of Trust debt covenants to produce a sum of Net Revenue and Series Security of at least 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 2015A and 2015B. Proceeds from the bonds were used to refund the outstanding Series 2004 and 2005 Bonds, respectively, which were used to refund the Series 1995 and 1996A Bonds, which financed construction of certain terminal building improvements and other projects. Approximately 82% of the debt service payments for the Series 2015A and 34% of the debt service payments for the Series 2015B annual debt service are eligible for funding with PFC's, which produced a Series Security of approximately \$1.5 million. Annual principal and interest payments on those bonds required 68% of the series security. The remaining principal and interest requirement on the Series 2015A bonds is \$16.1 million payable through January 1, 2025. The remaining principal and interest requirement on the Series 2015B bonds is \$12.63 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 required 26% of net revenue.

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 revenue derived from the operation the aforesaid Special Facility.

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 Revenue" 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, 2016, the District is in compliance with the coverage test.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

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 \$1,150,388 and temporary investments of \$9,748,242 represent the District's funds restricted for such purposes.

The \$986,749 grant funds receivable represents resources used in the FAA's Airport Improvement Program.

Other Assets

The District's other assets totaling \$1,872,016 consists of improvements to the investment in the CAE Enterprise Park held for future aviation-related use and sale.

Note 9. Employee Retirement

All employees, excluding public safety department employees (police and fire officers), are eligible for membership in the South Carolina Governmental Employees' Retirement System (SCRS). Public safety department employees are covered by the South Carolina Police Officers' Retirement System (PORS). Both are a cost-sharing, multiple employer public employee retirement system administered by the South Carolina Public Employee Benefit Authority (PEBA). Actuarial determinations are made by the administrators for the system.

Plan Descriptions

Benefits of the retirement systems are established by state statutes. Under current statutes, member employees ('members') are classified as Class II or Class III members. Class II members are those who were participants in a PEBA retirement system on or before June 30, 2012. Class III members are those who started their participation in a PEBA retirement system on or after July 1, 2012.

Class II members are eligible for retirement with unreduced benefits upon completion of 28 years of service credit, of which at least 5 must be earned, or must be age 65 or older with a minimum of five years of earned service credit.

Class III members must meet the "Rule of 90" requirement with at least 8 years of earned service credit. The "Rule of 90" requires that the sum of a member's age and service credit must equal or exceed 90 to qualify for retirement with unreduced benefits. Alternatively, a Class III member must be at least age 65 with a minimum of 8 years of earned service credit to qualify for unreduced retirement benefits.

Benefits

The retirement benefits of both classes of members are based on the average final compensation ("AFC"). For Class II members, the AFC is the 12 highest consecutive quarters of earnable compensation on which regular member contributions were made while earning service credit. For Class III members, the AFC definition changes to the 20 highest consecutive quarters defined the same as for Class II members.

Early retirement with reduced benefits is available to both Class II and Class III members. Eligibility for both classes is provided in the South Carolina Retirement System Member Handbook, which is an abbreviated description of the retirement benefits described in Title IX of the South Carolina Code of Laws.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree’s social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement systems make a death benefit available if provided by the employer. Disability benefits are available to all member employees based upon specific criteria set forth by PEBA.

Funding Policy

The District’s total “pensionable” wages for the years ended December 31, 2016, 2015, and 2014, were approximately \$3,497,698, \$3,425,571, and \$3,676,001, for the years ended December 31, 2016, 2015, and 2014, respectively. State statutes also determine the levels of contributions required by both employers and employees. Effective July 1, 2016, for non-public safety employees, the employee contribution rate became 8.66 percent and the employer required contribution became 11.56 percent, which includes .15 percent of group life coverage. Effective July 1, 2016, for public safety employees, the employee contribution rate became 9.24 percent and the employer contribution rate became 14.24 percent, which includes .2 percent of group life and .2 percent of accidental death coverage. The District contributed 100% of the required contribution for each of the plans for the years ending December 31, 2016, 2015, and 2014.

	SCRS			PORS		
	2016	2015	2014	2016	2015	2014
Wages:						
Pensionable	\$ 2,370,974	\$ 2,296,106	\$ 2,432,309	\$ 1,126,724	\$ 1,129,465	\$ 1,243,692
End of year contribution rates:						
Employees	8.66%	8.16%	7.50%	9.24%	8.41%	7.84%
Employer	11.56%	10.90%	10.60%	14.24%	13.41%	12.84%
Contributions:						
Employees	\$ 199,571	\$ 185,523	\$ 195,739	\$ 101,372	\$ 96,841	\$ 99,065
Employer	\$ 264,773	\$ 248,807	\$ 268,283	\$ 153,201	\$ 148,936	\$ 155,507

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Net Pension Liabilities, Pension Expenses, Deferred Outflows/Inflows of Resources

At December 31, 2016, the District reported a liability of \$7,520,418 for the measurement period June 30, 2016 for its proportionate share of the net pension liabilities, of which \$5,262,854 was for SCRS and \$2,257,564 was for PORS. The net pension liabilities were measured by PEBA as of June 30, 2016 (measurement date) and the total pension liabilities used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, PEBA reported the District's proportion of the collective net pension liability was 0.024639% for SCRS and 0.089004% for PORS. For the year ended December 31, 2016, the District recognized pension expense of \$419,886, of which \$263,893 was for SCRS and \$155,993 for PORS, respectively.

Components of Change in Net Pension Liability (NPL)

Changes in the net pension liability for the measurement period, June 30, 2016, follows:

	SCRS	PORS	Total
Pension expense:			
Service cost	\$ 188,084	\$ 139,351	\$ 327,435
Interest on total pension liability	796,227	403,807	1,200,034
Changes in plan benefits	—	—	—
Plan administrative costs	3,238	1,828	5,066
Plan member contributions	(185,816)	(102,522)	(288,338)
Expected return on plan assets	(455,454)	(262,756)	(718,210)
Recognition of current year amortization – difference between expected and actual experience	37,335	15,258	52,593
Recognition of current year amortization – difference between projected and actual investment earnings	84,709	49,921	134,630
Deferred amounts from change in proportion	(94,667)	(56,222)	(150,889)
Other	246	(1,020)	(774)
Total pension expense	373,902	187,645	561,547
PEBA employer contribution	(263,893)	(155,993)	(419,886)
Additions to deferred items:			
Outflow – Plan performance	11,187	9,786	20,973
Outflow – Investment experience	490,281	280,033	770,314
Inflow – Investment experience	2,869	1,851	4,720
Inflow – Plan performance	160	—	160
Inflow – Allocated proportion change	(96,785)	(55,228)	(152,013)
Amortizations of deferred items:			
Outflow – Plan performance	(41,405)	(15,864)	(57,269)
Outflow – Investment experience	(174,512)	(99,521)	(274,033)
Inflow – Plan performance	2,658	—	2,658
Inflow – Investment experience	92,200	51,777	143,977
Inflow – Allocated proportion change	94,666	56,223	150,889
Total change in net pension liability	\$ 491,328	\$ 260,709	\$ 752,037

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Net Pension Liabilities, Pension Expenses, Deferred Outflows/Inflows of Resources (continued)

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Related to Pensions		
	SCRS	PORS	Total
Differences between expected and actual plan performance	\$ 54,556	\$ 33,498	\$ 88,054
Changes of assumptions	—	—	—
Net difference between projected and actual earnings on pension plan investments	621,593	354,566	976,159
Changes in proportion and differences between District contributions and proportionate share of contributions	364	213	577
District contributions subsequent to the measurement date	139,194	80,158	219,352
Total	\$ 815,707	\$ 468,435	\$ 1,284,142
	Deferred Inflows of Resources Related to Pensions		
	SCRS	PORS	Total
Differences between expected and actual plan performance	\$ 5,715	\$ —	\$ 5,715
Changes of assumptions	—	—	—
Net difference between projected and actual earnings on pension plan investments	178,817	98,578	277,395
Changes in proportion	227,245	167,486	394,731
Differences between District contributions and proportionate share of contributions	7,276	5,485	12,761
Total	\$ 419,053	\$ 271,549	\$ 690,602

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Net Pension Liabilities, Pension Expenses, Deferred Outflows/Inflows of Resources (continued)

The \$219,352 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows of Resources Related to Pensions			
	SCRS	PORS	Total
<u>Year ended December 31:</u>			
2017	\$ 217,026	\$ 115,443	\$ 332,469
2018	188,508	113,509	302,017
2019	171,977	101,693	273,670
2020	99,002	57,632	156,634
	\$ 676,513	\$ 388,277	\$ 1,064,790

Deferred Inflows of Resources Related to Pensions			
	SCRS	PORS	Total
<u>Year ended December 31:</u>			
2017	\$ 192,657	\$ 109,986	\$ 302,643
2018	191,973	109,874	301,847
2019	32,112	43,693	75,805
2020	2,311	7,996	10,307
	\$ 419,053	\$ 271,549	\$ 690,602

Actuarial Assumptions

The June 30, 2016 total pension liability, net pension liability and sensitivity information were determined based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and State Fiscal Accountability Authority, which utilized membership data as of July 1, 2015. The total pension liability was rolled forward from the valuation date to the plans' fiscal year ended June 30, 2016, using generally accepted actuarial principles.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Actuarial Assumptions (continued)

The total pension liabilities in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry-age normal	Entry-age normal
Asset Valuation Method	20% difference recognition method	20% difference recognition method
Amortization Method	Level percent of pay	Level percent of pay
Amortization Period	30 years, open	30 years, open
Investment Return	7.5 percent	7.5 percent
Inflation	2.75 percent	2.75 percent
Salary Increases	3.5 percent plus step-rate increases to 12.50% for members with less than 25 years of service including inflation	4.0 percent plus step-rate increases for members with less than 12 years of service including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation	7.5 percent, net of pension plan investment expense, including inflation
Benefit increases	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
Mortality	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from year 2000. Male rates at 100% for non-educators and 110% for educators. Female rates at 90% for non-educators and 95% for educators.	RP-2000 Mortality Table Blue Collar Adjustment, projected at Scale AA from year 2000. Male and female rates at 115%.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study on data through June 30, 2015.

Member and employer contribution rates for SCRS and PORS are determined in accordance with Section 9-1-1085 and 9-11-225 of the South Carolina Code, respectively. Contribution rates determined by an actuarial valuation are effective for the fiscal year beginning 24 months after the valuation date.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Long-term Expected Rate of Return (continued)

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Public Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Estate	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Rik Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total expected real return	<u>100.0%</u>		5.10%
Inflation for actuarial purposes			<u>2.75%</u>
Total expected nominal return			<u>7.85%</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 9. Employee Retirement (continued)

Discount Rate

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

Sensitivity Analysis

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	District’s proportionate share of the net pension liabilities to changes in the discount rate		
	Current		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
SCRS	\$ 6,565,266	\$ 5,262,854	\$ 4,178,645
PORS	2,938,731	2,257,564	1,627,434

Pension Plans Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PEBA financial report. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and PORS, which is issued and publicly available on the website www.retirement.sc.gov, or a copy may be obtained by submitting in writing a request to the South Carolina Retirement System, P. O. Box 11960, Columbia, SC 29211-1960.

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:

	2016	2015
Net investment in capital assets		
Net property, plant and equipment in service	\$ 147,238,126	\$ 143,465,823
Construction in progress	5,675,894	6,057,503
Less:		
Revenue bonds payable, net	(50,451,097)	(54,146,368)
Construction project payable	(1,274,983)	(1,147,198)
Net investment in capital assets	\$ 101,187,940	\$ 94,229,760
Restricted for Capital Projects		
Grant funds receivable	\$ 986,749	\$ 210,192
Restricted for Debt Service		
	\$ 9,748,244	\$ 4,771,920
Restricted for Pensions		
	\$ 219,352	\$ 215,293
Restricted for Other Purposes		
Law enforcement activities	\$ 33,316	\$ 33,727
Passenger Facility Charges	336,743	2,688,384
Contract Facility Charges	573,951	273,898
Other purposes	22,590	9,066
Total restricted for other purposes	\$ 966,600	\$ 3,005,075

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 recorded in the accompanying financial statements for the refund of grant monies.

Commitments

At December 31, 2016, the District had outstanding contractual commitments approximating \$5.0 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 PEBA 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, 2016, the District had 10 retired employees with an average age of 59 years covered by the program with monthly premium costs averaging \$1,029.71 per participant. Total contributions made by the District for the year ended December 31, 2016 were \$167,422 or 76.03% 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, 2016 and the related information for the program is as follows:

Employer normal costs	\$		114,600	
Amortization of Unfunded Accrued Liability			105,600	
Annual required contribution (ARC)			220,200	
Interest on net OPEB obligation			55,154	
Adjustment to ARC			(54,411)	
Annual OPEB cost			220,943	
Contributions made			(167,422)	
Increase in net OPEB obligation			53,521	
Net OPEB obligation - beginning of year			1,575,829	
Net OPEB obligation - end of year	\$		1,629,350	

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, 2016 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	
2014	\$ 342,649	49.31%	\$ 1,468,356	
2015	\$ 353,693	69.61%	\$ 1,575,830	
2016	\$ 220,943	75.78%	\$ 1,629,350	

Funded Status and Funding Progress

The most recent actuarial valuation of OPEB as of December 31, 2015 for the fiscal year then ended. The actuarial accrued liability for benefits was \$3,168,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,218,100, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 98%.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

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

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 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, 2015, 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 3.5% (which is the annual return net of both administrative and investment related expenses) and a healthcare inflation rate of 3.6% and 8.4% in 2016 and 2017, respectively, graded to 4.5% over 56 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.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

– CONTINUED –

Note 13. Risk Management (continued)

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.

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 \$146 million with a carrying value of \$70 million at December 31, 2016. Depreciation expense for 2016 totaled \$5.1 million.

The following is a schedule of future minimum rentals receivable on non-cancelable operating leases as of December 31, 2016:

Years Ended December 31,	Total
2017	\$ 1,398,593
2018	1,007,485
2019	684,249
2020	578,178
2021-2035	4,735,393

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

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. The revenue for the year ended December 31, 2016 are shown by function in the following table:

	2016 Revenue	%
Air Carriers	\$ 6,556,456	35%
Parking	5,886,009	33%
Rental Car Operations	2,378,081	13%
Other tenant and concessions	2,950,620	16%
Other operating revenue	242,773	1%
Net operating revenue	<u>\$ 18,013,938</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 were effective January 1, 2015, and will expire on December 31, 2017. These agreements are substantially similar with the exception of specific demised premises (ticket counters, offices, etc). The District is currently negotiating with the signatory airline on a new agreement that will be materially consistent with the current agreement. The new agreement will commence January 1, 2018 and terminate on December 31, 2022.

At December 31, 2016, Signatory Airlines consisted of Delta Airlines, American Airlines, United Airlines Inc., United Parcel Service Co., and Federal Express Corporation.

At December 31, 2016, air carrier revenue, which includes landing fees, leased sites and terminal rental are concentrated among several carriers as follows:

	2016 Revenue	%
Delta Airlines	\$ 2,210,438	34%
American Airlines	1,981,461	30%
United Airlines	904,578	14%
United Parcel Service	873,670	13%
Federal Express	448,619	7%
All Other Carriers	137,689	1%
Total air carriers	<u>\$ 6,556,455</u>	<u>100%</u>

Note 16. Subsequent Events

Management has evaluated all events subsequent to the date of this report.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS

YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/c
12/31/2015	\$ -	\$ 3,168,500	\$ 3,168,500	0%	\$ 3,218,100	98.5%
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%

RICHLAND-LEXINGTON AIRPORT DISTRICT

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

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

LAST TEN FISCAL YEARS*(1)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability	0.024639%	0.025159%	0.002679%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 5,262,854	\$ 4,771,526	\$ 4,612,006	\$ 4,804,812	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,370,974	\$ 2,520,381	\$ 2,645,758	\$ 2,736,572	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability as a percentage of its covered-employee payroll	222.0%	189.3%	174.3%	175.6%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%	59.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year determined as of measurement year that occurred within the fiscal year.

(1) Because prior year data is unavailable, the District has elected to present information prospectively.

N/A Not available

RICHLAND-LEXINGTON AIRPORT DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

LAST TEN FISCAL YEARS (1)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 264,773	\$ 248,807	\$ 268,283	\$ 262,185	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	\$ 264,773	\$ 248,807	\$ 268,283	\$ 262,185	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,370,974	\$ 2,520,381	\$ 2,645,758	\$ 2,736,572	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee wages	11.2%	9.9%	10.1%	9.6%	N/A	N/A	N/A	N/A	N/A	N/A

(1) Because prior year data is unavailable, the District has elected to present information prospectively.

N/A Not available

RICHLAND-LEXINGTON AIRPORT DISTRICT

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

POLICE OFFICERS RETIREMENT SYSTEM (PORS)

LAST TEN FISCAL YEARS*(1)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability	0.089004%	0.091620%	0.101810%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 2,257,564	\$ 1,996,855	\$ 1,949,117	\$ 2,110,535	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 1,126,724	\$ 1,185,945	\$ 1,373,388	\$ 1,400,829	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	200.4%	168.4%	141.9%	150.7%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	60.4%	64.6%	67.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year determined as of measurement year that occurred within the fiscal year.

(1) Because prior year data is unavailable, the District has elected to present information prospectively.

N/A Not available

RICHLAND-LEXINGTON AIRPORT DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 POLICE OFFICERS RETIREMENT SYSTEM (PORS)

LAST TEN FISCAL YEARS (1)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 153,201	\$ 148,936	\$ 155,507	\$ 153,125	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	\$ 153,201	\$ 148,936	\$ 155,507	\$ 153,125	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 1,126,724	\$ 1,185,945	\$ 1,373,388	\$ 1,400,829	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee wages	13.6%	12.6%	11.3%	10.9%	N/A	N/A	N/A	N/A	N/A	N/A

(1) Because prior year data is unavailable, the District has elected to present information prospectively.

N/A Not available

OTHER FINANCIAL INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

YEAR ENDED DECEMBER 31, 2016

(With comparative amounts year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Airfield Landing Fees		
United Parcel Service	\$ 832,161	\$ 805,099
Delta Airlines	800,079	798,041
United Airlines	296,459	287,484
Federal Express	272,051	273,168
American	759,529	738,798
Mountain Air Cargo	33,819	34,305
Martinaire	8,925	9,835
Air Cargo Carriers	54,002	54,466
Wiggins	1,381	11,330
Ameriflight	59	211
Republic	-	10,389
Total airfield landing fees	<u>3,058,465</u>	<u>3,023,126</u>
Leased Sites		
Bell Aviation	14,170	16,079
Eagle Aviation	402,757	333,926
Columbia Aviation	71,106	73,562
United Parcel Service	120,004	167,224
FAA Sector Office	97,332	97,332
Weather Bureau	108,614	108,614
GADO	73,491	73,491
FAA FSDO	182,748	177,425
Foth	5,088	5,550
Delta Airlines	26,207	26,207
Berry's Expediting - Cargo	23,126	19,031
The Monticello Group	-	3,150
Federal Express Cargo	177,324	177,324
S.C. Department of Commerce - Division of Aeronautics	75,798	74,690
Parking	5,891,759	5,614,358
Amazon	12,742	13,000
Outdoor Advertising	3,300	4,400
SCANA	9,286	8,667
West Cargo Hangar	680	11,700
Kingston Metal	22,604	24,604
Lexington County School District 2	8,595	17,190

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

-CONTINUED-

	2016	2015
Leased Sites (continued)		
FTZ Fees	19,000	11,000
Doolittle Hangar	84,679	244,180
West Star Aviation	15,079	96,664
Jetstar Aviation	7,529	
Avis	25,585	24,045
Hertz	44,940	35,245
National	57,540	54,145
Thrifty	14,280	13,090
Airport Commerce Center	697,266	623,534
Total leased sites	8,292,628	8,149,427
 Terminal Rents and Commissions		
Delta Airlines	1,390,232	1,391,700
US Airways / Piedmont	-	9,780
American Airlines	1,227,449	1,192,947
Air Wisconsin	39,504	36,091
Republic Airlines	-	7,417
United Airlines	610,637	594,037
TSA	184,395	203,422
Restaurant rental	226,526	226,152
Gift shop rental	279,041	257,999
Taxi and limousine service	87,960	61,538
ATM rental	10,800	10,640
Display advertising	109,873	90,709
Travel service	-	15,022
Miscellaneous concessions and office space	15,950	9,289
Executive Delivery	6,996	6,996
Avis	236,879	245,820
Hertz	574,240	634,081
National	612,331	553,615
Budget	102,008	104,661
Thrifty	269,286	147,468
Enterprise / Dollar	440,992	474,708
Tenant phone service	12,153	12,316
Total terminal rents and commissions	6,437,252	6,286,408

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

-CONTINUED-

	<u>2016</u>	<u>2015</u>
Other		
Telephone commissions	8,250	7,813
Police fines	1,248	1,045
TSA Grant	86,907	126,534
Miscellaneous	66,090	94,657
Golf / Race Event	-	8,742
Surplus Equipment Sales	80,278	61,467
Total other	<u>242,773</u>	<u>300,258</u>
Total operating revenues before Signatory Airline surcharge (rebate)	<u>\$ 18,031,118</u>	<u>\$ 17,759,219</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2016

(With comparative amounts year ended December 31, 2015)

	2016	2015
Salaries and Employee Benefits		
Salaries	\$ 3,746,657	\$ 3,602,501
Overtime	157,375	162,997
Payroll taxes	277,074	259,871
Retirement	565,123	411,527
Group insurance	820,391	1,057,249
Uniforms and other benefits	123,191	35,233
Total salaries and employee benefits	5,689,811	5,529,378
Supplies		
Office supplies	32,435	25,745
Cleaning supplies	43,443	60,498
Fire fighting and first aid supplies	33,013	2,019
Total supplies	108,891	88,262
Airport Operations		
Utilities	1,397,508	1,589,891
Repairs and maintenance	892,051	1,129,284
Airport Commerce Center	267,318	186,755
Parking management fee	576,576	576,576
Service contracts	599,799	615,671
Insurance	329,093	311,823
Fuel	35,131	41,763
Miscellaneous	3,102	12,110
Total airport operations	4,100,578	4,463,873
Travel and Education		
Dues and subscriptions	40,086	24,565
Training	136,024	92,519
Travel	174,858	166,042
Total travel and education	350,968	283,126

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

-CONTINUED-

	2016	2015
Outside Professional Services		
Legal and other professional fees	124,484	96,389
Planning and development	-	46,600
Consulting	85,580	34,294
Outside printing	5,180	4,328
Total outside professional services	215,244	181,611
Marketing		
Marketing and public relations	275,585	240,477
Advertising	366,351	295,421
Postage and mailing	3,991	5,430
Total marketing	645,927	541,328
Depreciation	10,357,465	9,629,268
Total operating expenses	\$ 21,468,884	\$ 20,716,846

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, 2016

Court Fines and Assessments

Court fines and assessments collected	\$ 1,093
Court fines and assessments remitted to State Treasurer	<u>-</u>
Total court fines and assessments retained	<u><u>\$ 1,093</u></u>

Funds Allocated to Victim's Services

Carryover funds from prior year	\$ -
Court fines and assessments collected	-
Transfer to Lexington County	<u>-</u>
Total unexpended victim's rights assistance funds	<u><u>\$ -</u></u>

STATISITCAL SECTION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NET POSITION BY COMPONENT

(Accrual basis of accounting)

LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net invested in capital assets	\$ 101,187,940	\$ 94,229,761	\$ 86,716,006	\$ 83,323,443	\$ 72,278,326	\$ 71,515,684	\$ 74,948,911	\$ 71,069,607	\$ 72,431,212	\$ 67,413,810
Restricted for:										
Capital projects	986,749	210,192	162,772	1,682,888	425,140	464,503	43,990	451,474	625,240	1,241,798
Debt service	9,748,244	4,771,920	5,174,291	6,118,980	6,482,668	6,491,491	6,602,047	6,586,507	7,464,277	7,310,851
Pensions	219,352	819,852	206,131	-	-	-	-	-	-	-
Other purposes	966,600	3,005,075	3,323,573	4,766,710	4,082,441	3,092,965	2,494,217	2,253,020	1,802,644	1,887,440
Unrestricted	5,217,607	5,732,000	4,607,911	10,544,102	14,916,732	17,919,396	16,126,224	12,690,971	13,440,972	11,881,669
Total net position	\$ 118,326,492	\$ 108,768,800	\$ 100,190,684	\$ 106,436,123	\$ 98,185,307	\$ 99,484,039	\$ 100,215,389	\$ 93,051,579	\$ 95,764,345	\$ 89,735,568

Note: Certain amounts of the 2014 net position have been restated upon implementation of GASB 68. GASB 68 was implemented for fiscal year 2014 and later.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenue										
Airfield landing fees	\$ 3,058,465	\$ 3,023,126	\$ 3,009,351	\$ 2,784,743	\$ 3,268,845	\$ 3,370,969	\$ 3,642,910	\$ 2,167,511	\$ 2,612,124	\$ 2,531,524
Leased sites	8,292,628	8,149,427	7,800,949	6,782,216	6,702,583	6,464,225	6,469,045	6,673,715	7,369,583	8,199,709
Terminal rents and commissions	6,437,252	6,286,408	6,419,463	5,918,191	6,054,710	5,909,693	6,302,656	5,722,960	5,824,151	6,558,619
Other	242,773	300,258	292,194	331,859	260,772	368,904	561,233	318,949	258,641	162,531
Total operating revenue before Signatory Airline surcharge (rebate)	18,031,118	17,759,219	17,521,957	15,817,009	16,286,910	16,113,791	16,975,844	14,883,135	16,064,499	17,452,383
Signatory Airline surcharge (rebate)	(17,180)	(16,582)	(629,067)	(330,058)	919,238	(1,081,934)	79,729	-	272,239	123,760
Change in allowance for doubtful accounts and collection on past due accounts	-	-	-	-	-	-	-	-	760,539	65,587
Net operating revenue	18,013,938	17,742,637	16,892,890	15,486,951	17,206,148	15,031,857	17,055,573	14,883,135	17,097,277	17,641,730
Operating Expenses										
Salaries and employee benefits	5,689,811	5,529,378	6,006,904	6,062,306	6,113,141	5,775,757	7,673,292	7,598,559	7,877,990	7,337,687
Supplies	108,891	88,262	126,183	127,657	92,062	94,541	94,548	108,195	126,599	137,313
Airport operations	4,100,578	4,463,873	3,971,416	3,810,784	3,670,286	3,420,416	3,536,842	3,510,081	3,673,853	3,616,886
Travel and education	350,968	283,126	295,669	259,710	275,935	279,510	264,354	352,013	405,203	461,903
Outside professional services	215,244	181,611	216,232	218,604	128,362	169,976	144,482	172,705	124,216	125,028
Marketing	645,927	541,328	559,932	623,277	543,608	429,129	207,943	187,370	387,346	318,880
Bad debt expense	-	-	-	-	-	46,719	147,490	-	-	-
Depreciation	10,357,465	9,629,268	9,510,939	8,997,818	8,591,418	8,698,300	8,562,304	8,532,885	8,152,567	7,774,984
Total operating expenses	21,468,884	20,716,846	20,687,275	20,100,156	19,414,812	18,914,348	20,631,255	20,461,808	20,747,774	19,772,681
Loss from operations	(3,454,946)	(2,974,209)	(3,794,385)	(4,613,205)	(2,208,664)	(3,882,491)	(3,575,682)	(5,578,673)	(3,650,497)	(2,130,951)

Note: Certain amounts of the 2014 operating expenses have been restated upon implementation of GASB 68. GASB 68 was implemented for fiscal year 2014 and later.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

-(CONTINUED)-

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Non-operating Revenue (Expenses)										
Passenger Facility Charges (PFC's)	2,266,345	2,166,112	1,998,621	1,965,937	1,939,983	1,905,561	1,915,574	2,065,765	2,285,543	2,491,711
Contract Facility Charges (CFC's)	3,258,051	2,810,362	2,648,727	2,560,602	2,659,044	2,516,880	1,787,847	1,613,904	1,568,153	1,590,219
Investment income	91,366	63,592	61,590	84,390	70,841	48,018	95,809	84,903	606,301	1,122,087
Interest expense-net of capitalization	(1,680,899)	(1,852,170)	(2,882,309)	(3,070,260)	(3,558,086)	(3,750,660)	(4,090,938)	(4,204,442)	(4,339,560)	(4,455,635)
Amortization expense-bond issuance cost:	-	-	(76,180)	(97,575)	(197,326)	(445,162)	(420,920)	(238,227)	(238,227)	(242,123)
Natural resources revenue	-	-	-	-	-	-	-	48,000	-	-
Bond issuance costs	-	(153,381)	(102,696)	(297,973)	-	-	-	-	-	-
Gain(loss) on sale of assets, net and other	(353,900)	580,873	30,000	-	-	121,354	(1,511,460)	-	(744,087)	(1,077,466)
Other revenue	-	-	-	-	-	56,485	-	-	-	-
Net non-operating revenue (expenses)	3,580,963	3,615,388	1,677,753	1,145,121	914,456	452,476	(2,224,088)	(630,097)	(861,877)	(571,207)
Income (Loss) from operations and net non-operating revenue (expenses) before capital contributions	126,017	641,179	(2,116,632)	(3,468,084)	(1,294,208)	(3,430,015)	(5,799,770)	(6,208,770)	(4,512,374)	(2,702,158)
Capital Contributions										
Grant revenue	9,407,091	7,900,853	2,571,987	10,596,170	3,325,400	2,698,665	12,963,580	3,496,004	10,541,151	5,049,078
Other grants	24,584	36,084	8,422	639,976	-	-	-	-	-	-
Net change in net position	9,557,692	8,578,116	463,777	7,768,062	2,031,192	(731,350)	7,163,810	(2,712,766)	6,028,777	2,346,920
Beginning of year, net position	108,768,800	100,190,684	106,436,123	98,185,307	99,484,039	100,215,389	93,051,579	95,764,345	89,735,568	87,388,648
Cumulative effect of restatements	-	-	(6,709,216)	482,754	(3,329,924)	-	-	-	-	-
End of year, net position	\$ 118,326,492	\$ 108,768,800	\$ 100,190,684	\$ 106,436,123	\$ 98,185,307	\$ 99,484,039	\$ 100,215,389	\$ 93,051,579	\$ 95,764,345	\$ 89,735,568

Note: Certain amounts of the 2014 net position have been restated upon implementation of GASB 68. GASB 68 was implemented for fiscal year 2014 and later.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenue										
Airfield landing fees	\$ 3,058,465	\$ 3,023,126	\$ 3,009,351	\$ 2,784,743	\$ 3,268,845	\$ 3,370,969	\$ 3,642,910	\$ 2,167,511	\$ 2,612,124	\$ 2,531,524
Leased sites	8,292,628	8,149,427	7,800,949	6,782,216	6,702,583	6,464,225	6,469,045	6,673,715	7,369,583	8,199,709
Terminal rents and commissions	6,437,252	6,286,408	6,419,463	5,918,191	6,054,710	5,909,693	6,302,656	5,722,960	5,824,151	6,558,619
Other	242,773	300,258	292,194	331,859	260,772	368,904	561,233	318,949	258,641	162,531
Signatory Airline surcharge (rebate)	(17,180)	(16,582)	(629,067)	(330,058)	919,238	(1,081,934)	79,729	-	272,239	123,760
Change in allowance for doubtful accounts and collection on past due accounts	-	-	-	-	-	-	-	-	760,539	65,587
Total operating revenue	<u>18,013,938</u>	<u>17,742,637</u>	<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>
Non-Operating Revenue										
Passenger Facility Charges (PFCs)	2,266,345	2,166,112	1,998,621	1,965,937	1,939,983	1,905,561	1,915,574	2,065,765	2,285,543	2,491,711
Contract Facility Charges (CFCs)	3,258,051	2,810,362	2,648,727	2,560,602	2,659,044	2,516,880	1,787,847	1,613,904	1,568,153	1,590,219
Investment income	91,366	63,592	61,590	84,390	70,841	48,018	95,809	84,903	606,301	1,122,087
Gain on sale of assets, net and other	-	580,873	30,000	-	-	121,354	-	48,000	-	-
Other revenues	-	-	-	-	-	56,485	-	-	-	-
Capital Contributions	9,431,675	7,936,937	2,580,409	11,236,146	3,325,400	2,698,665	12,963,580	3,496,004	10,541,151	5,049,078
Total revenue	<u>\$ 33,061,375</u>	<u>\$ 31,300,513</u>	<u>\$ 24,212,237</u>	<u>\$ 31,334,026</u>	<u>\$ 25,201,416</u>	<u>\$ 22,378,820</u>	<u>\$ 33,818,383</u>	<u>\$ 22,191,711</u>	<u>\$ 32,098,425</u>	<u>\$ 27,894,825</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

EXPENSES BY TYPE

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Expenses										
Salaries and employee benefits	5,689,811	\$ 5,529,378	\$ 6,006,904	\$ 6,062,306	\$ 6,113,141	\$ 5,775,757	\$ 7,673,292	\$ 7,598,559	\$ 7,877,990	\$ 7,337,687
Supplies	108,891	88,262	126,183	127,657	92,062	94,541	94,548	108,195	126,599	137,313
Airport operations	4,100,578	4,463,873	3,971,416	3,810,784	3,670,286	3,420,416	3,536,842	3,510,081	3,673,853	3,563,102
Travel and education	350,968	283,126	295,669	259,710	275,935	279,510	264,354	352,013	405,203	461,903
Outside professional services	215,244	181,611	216,232	218,604	128,362	169,976	144,482	172,705	124,216	125,028
Marketing	645,927	541,328	559,932	623,277	543,608	429,129	207,943	187,370	387,346	318,880
Change in inventory valuation	-	-	-	-	-	-	-	-	-	53,784
Bad Debt Expense	-	-	-	-	-	46,719	147,490	-	-	-
Depreciation	10,357,465	9,629,268	9,510,939	8,997,818	8,591,418	8,698,300	8,562,304	8,532,885	8,152,567	7,774,984
Total operating expenses	<u>21,468,884</u>	<u>20,716,846</u>	<u>20,687,275</u>	<u>20,100,156</u>	<u>19,414,812</u>	<u>18,914,348</u>	<u>20,631,255</u>	<u>20,461,808</u>	<u>20,747,774</u>	<u>19,772,681</u>
Non-operating Expenses										
Interest expense-net of capitalization	1,680,899	1,852,170	2,882,309	3,070,260	3,558,086	3,750,660	4,090,938	4,204,442	4,339,560	4,455,635
Amortization expense	-	-	76,180	97,575	197,326	445,162	420,920	238,227	238,227	242,123
Other expenses	-	-	-	-	-	-	-	-	-	-
Bond issuance costs*	-	153,381	102,696	297,973	-	-	-	-	-	-
Loss on sale of capital assets	353,900	-	-	-	-	-	1,511,460	-	744,087	1,077,466
Total non-operating expenses	<u>2,034,799</u>	<u>2,005,551</u>	<u>3,061,185</u>	<u>3,465,808</u>	<u>3,755,412</u>	<u>4,195,822</u>	<u>6,023,318</u>	<u>4,442,669</u>	<u>5,321,874</u>	<u>5,775,224</u>
Total expenses by type	<u>\$ 23,503,683</u>	<u>\$ 22,722,397</u>	<u>\$ 23,748,460</u>	<u>\$ 23,565,964</u>	<u>\$ 23,170,224</u>	<u>\$ 23,110,170</u>	<u>\$ 26,654,573</u>	<u>\$ 24,904,477</u>	<u>\$ 26,069,648</u>	<u>\$ 25,547,905</u>

Note: Certain amounts of the 2014 operating expenses have been restated upon implementation of GASB 68. GASB 68 was implemented for fiscal year 2014 and later.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

PASSENGER ENPLANEMENTS BY AIRLINE

LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Delta & Affiliates:										
Delta Airlines	190,636	125,841	104,369	87,421	89,882	62,906	27,169	14,091	44,422	63,292
Atlantic Coast Airlines	-	-	-	-	-	-	-	-	-	-
Atlantic Southeast	47,604	111,371	108,456	99,484	93,227	126,052	142,941	146,764	124,637	130,291
Chautauqua	-	461	1,596	20,823	17,374	10,825	8,315	1,618	1,740	9,848
Comair	-	-	-	-	86	2,190	10,198	5,333	7,747	6,508
Shuttle America	1,258	-	-	-	43	-	64	396	3,354	-
Mesa / Freedom	-	-	-	-	-	-	3,485	10,161	7,188	-
Pinnacle	96	117	1,503	10,022	21,168	10,388	9,943	1,167	-	-
Total Delta Affiliates	239,594	237,790	215,924	217,750	221,780	212,361	202,115	179,530	189,088	209,939
American & Affiliates:										
American Eagle	224,488	43,807	-	-	-	-	-	-	-	-
Piedmont	-	16,077	-	-	-	-	-	-	-	-
PSA	-	14,862	-	-	-	-	-	-	-	-
Air Wisconsin	-	140,909	-	-	-	-	-	-	-	-
Republic	-	456	-	-	-	-	-	-	-	-
Total American & Affiliates	224,488	216,111	-							
US Airways & Affiliates:										
US Airways	-	-	-	-	-	-	-	-	-	-
Piedmont	-	-	16,307	20,266	12,794	11,154	13,408	27,730	28,304	22,991
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
Mesa	-	-	-	-	-	-	-	-	-	-
Mesa / Freedom	-	-	-	-	70	-	-	-	-	19,805
Air Wisconsin	-	-	126,216	105,919	97,131	68,489	80,456	54,280	43,485	35,974
Republic	-	-	338	372	741	848	331	-	-	-
Total US Airways & Affiliates	-	-	159,958	148,357	151,190	142,436	145,233	137,453	131,929	156,237
United Airlines & Affiliates										
Atlantic Southeast Airlines	-	-	-	-	-	61,228	54,428	-	-	-
Atlantic Coast Airlines	-	-	-	-	-	-	-	-	-	-
Mesa	-	-	-	-	-	-	15,860	83,141	91,444	106,661
Express Jet	95,441	91,149	70,348	68,762	73,045	11,111	8,907	-	-	-
Total United Airlines & Affiliates	95,441	91,149	70,348	68,762	73,045	72,339	79,195	83,141	91,444	106,661
Continental Airlines & Affiliates										
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	-	-	-
Total Continental Airlines & Affiliates	-	-	23,435	22,464	13,584	21,017	23,254	38,875	52,610	49,769
Other Airlines										
American Eagle	-	-	41,681	42,329	39,847	40,476	40,713	40,570	38,808	40,627
Independence Air	-	-	-	-	-	-	-	-	-	-
Northwest	-	-	-	-	-	-	2,088	27,500	49,194	48,912
Allegiant Air	-	-	157	106	1,127	1,032	-	10,045	-	1,088
Spirit Airlines	-	-	-	-	-	-	-	2,260	15,447	-
Vision	-	-	118	940	1,233	2,260	-	-	-	-
Swift	-	-	-	27	-	-	-	-	-	-
Republic Airlines	-	1,335	2,148	2,189	-	-	-	-	-	-
Total passenger enplanements	559,523	546,385	513,769	502,924	501,806	491,921	492,598	519,374	568,520	613,233

Source: Richland-Lexington Airport District

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE REVENUE PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Airfield landing fees	\$ 3,058,465	\$ 3,023,126	\$ 3,009,351	\$ 2,784,743	\$ 3,268,845	\$ 3,370,969	\$ 3,642,910	\$ 2,167,511	\$ 2,612,124	\$ 2,531,524
Less: Cargo landing fees	(1,202,339)	(1,188,204)	(1,167,173)	(1,056,376)	(1,210,960)	(1,265,591)	(1,388,546)	(954,498)	(1,301,172)	(1,208,494)
Passenger airline landing	1,856,126	1,834,922	1,842,178	1,728,367	2,057,885	2,105,378	2,254,364	1,213,013	1,310,952	1,323,030
Terminal rentals	3,228,318	3,231,973	3,507,459	3,154,881	3,193,173	3,224,603	3,646,964	3,021,039	2,888,848	3,597,581
Signatory passenger airline (rebate) / surcharge	6,772	(8,987)	(565,376)	(219,650)	742,251	(870,260)	(19,104)	-	113,834	60,889
Total	<u>\$ 5,091,216</u>	<u>\$ 5,057,908</u>	<u>\$ 4,784,261</u>	<u>\$ 4,663,598</u>	<u>\$ 5,993,309</u>	<u>\$ 4,459,721</u>	<u>\$ 5,882,224</u>	<u>\$ 4,234,052</u>	<u>\$ 4,313,634</u>	<u>\$ 4,981,500</u>
Enplaned passengers	559,523	546,385	513,769	502,924	501,806	491,921	492,598	519,374	568,520	613,233
Airline revenue per enplaned passenger	<u>\$ 9.10</u>	<u>\$ 9.26</u>	<u>\$ 9.31</u>	<u>\$ 9.27</u>	<u>\$ 11.94</u>	<u>\$ 9.07</u>	<u>\$ 11.94</u>	<u>\$ 8.15</u>	<u>\$ 7.59</u>	<u>\$ 8.12</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

CONCESSION REVENUES PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

Category	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Rental Car Counter Rentals and Concessions	\$ 2,235,736	\$2,160,353	\$2,045,677	\$1,935,361	\$2,031,203	\$2,001,403	\$1,970,132	\$1,986,126	\$2,168,693	\$2,222,915
Restaurant and Gift Shop	505,568	484,152	459,175	459,631	426,591	397,831	402,447	430,993	483,815	482,244
Other	103,810	70,725	63,316	78,822	81,735	80,969	83,703	81,841	72,838	71,933
Total	2,845,113	2,715,230	2,568,168	2,473,814	2,539,529	2,480,203	2,456,282	2,498,960	2,725,346	2,777,092
Enplaned Passengers	559,523	546,385	513,769	502,924	501,806	491,921	492,598	519,374	568,520	613,233
Concession Revenue per Enplaned Passenger	\$ 5.08	\$ 4.97	\$ 5.00	\$ 4.92	\$ 5.06	\$ 5.04	\$ 4.99	\$ 4.81	\$ 4.79	\$ 4.53

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

OPERATING EXPENSES (BEFORE DEPRECIATION) PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total operating expenses	\$ 21,468,884	\$ 20,716,846	\$ 20,687,275	\$ 20,100,156	\$ 19,414,812	\$ 18,914,348	\$ 20,631,255	\$ 20,461,808	\$ 20,747,774	\$ 19,772,681
Less, depreciation	(10,357,465)	(9,629,268)	(9,510,939)	(8,997,818)	(8,591,418)	(8,698,300)	(8,562,304)	(8,532,884)	(8,152,567)	(7,774,984)
Total operating expenses before depreciation	11,111,419	11,087,578	11,176,336	11,102,338	10,823,394	10,216,048	12,068,951	11,928,924	\$12,595,207	\$11,997,697
Enplaned passengers	559,523	546,385	513,769	502,924	501,806	491,921	492,598	519,374	568,520	613,233
Operating expense (before depreciation) per enplaned passengers	\$ 19.86	\$ 20.29	\$ 21.75	\$ 22.08	\$ 21.57	\$ 20.77	\$ 24.50	\$ 22.97	\$ 22.15	\$ 19.56

Note: Certain amounts of the 2014 operating expenses have been restated upon implementation of GASB 68. GASB 68 was implemented for fiscal year 2014 and later.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF DEBT SERVICE COVERAGE
PER INDENTURE OF TRUST

LAST TEN FISCAL YEARS

Year	Gross Revenues	Net Revenues	Other Available Funds	Series Security	Net Revenue	Annual Debt	Coverage
					Available For Debt Service	Service Requirement	
2016	\$ 32,361,109	\$ 5,524,916	\$ 1,000,000	\$ 1,541,944	\$ 8,066,860	\$ 4,308,003	1.87
2015	30,086,736	4,474,644	1,000,000	2,166,112	7,640,756	4,757,186	1.61
2014	23,381,126	5,976,473	1,000,000	1,998,621	8,975,094	4,658,550	1.93
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

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Note: Certain amounts of the 2014 net revenue have been restated upon implementation of GASB 68. GASB 68 was implemented for fiscal year 2014 and later.

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

	2016	2016 Market Share	2015	2015 Market Share	2014	2014 Market Share	2013	2013 Market Share	2012	2012 Market Share	2011	2011 Market Share	2010	2010 Market Share	2009	2009 Market Share	2008	2008 Market Share	2007	2007 Market Share
Passenger Airlines																				
Delta Air Lines & Affiliates																				
Delta Air Lines	2,278	17.16%	1,190	8.71%	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%
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	1,075	8.10%	2,280	16.68%	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%
Chautauqua	-	0.00%	14	0.10%	49	0.35%	601	3.99%	522	3.49%	362	2.30%	245	1.60%	55	0.32%	47	0.23%	-	0.00%
Comair	-	0.00%	-	0.00%	-	0.00%	-	0.00%	3	0.02%	55	0.35%	287	1.88%	172	1.00%	257	1.26%	166	0.81%
Shuttle America	27	0.20%	-	0.00%	-	0.00%	-	0.00%	1	0.01%	-	0.00%	1	0.01%	14	0.08%	78	0.38%	-	0.00%
Mesa / Freedom	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	94	0.62%	262	1.53%	233	1.15%	618	3.03%
Pinnacle	1	0.01%	4	0.03%	51	0.36%	284	1.89%	414	2.77%	256	1.63%	269	1.76%	22	0.13%	-	0.00%	-	0.00%
Total Delta Air Lines & Affiliates	3,381	25.47%	3,488	25.52%	3,550	25.11%	4,098	27.21%	4,038	26.98%	4,258	27.07%	4,775	31.26%	4,463	26.04%	4,386	21.56%	4,701	23.02%
US Airways & Affiliates																				
Piedmont	-	0.00%	419	3.07%	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%
Chautauqua	-	0.00%	-	0.00%	-	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%
PSA	-	0.00%	394	2.88%	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%
Mesa	-	0.00%	-	0.00%	-	0.00%	-	0.00%	3	0.02%	6	0.04%	8	0.05%	4	0.02%	11	0.05%	3	0.01%
Air Wisconsin	-	0.00%	3,263	23.87%	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%
Republic	-	0.00%	7	0.05%	5	0.04%	6	0.04%	12	0.08%	14	0.09%	6	0.04%	-	0.00%	-	0.00%	-	0.00%
Total US Airways & Affiliates	-	0.00%	4,083	29.87%	4,079	28.85%	4,233	28.11%	4,392	29.35%	4,475	28.45%	4,332	28.36%	4,386	25.59%	4,775	23.47%	4,491	21.99%
United Airlines & Affiliates																				
United	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
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%	-	0.00%	-	0.00%	1,897	12.06%	1,705	11.16%	-	0.00%	-	0.00%	-	0.00%
Mesa	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	4	0.03%	506	3.31%	2,708	15.80%	2,919	14.35%	2,988	14.63%
Express Jet	2,095	15.78%	2,048	14.98%	2,506	17.72%	2,573	17.08%	2,136	14.27%	306	1.95%	238	1.56%	-	0.00%	-	0.00%	-	0.00%
Total United Airlines & Affiliates	2,095	15.78%	2,048	14.98%	2,506	17.72%	2,573	17.08%	2,136	14.27%	2,207	14.03%	2,449	16.03%	2,708	15.80%	2,919	14.35%	2,988	14.63%
Continental Airlines & Affiliates																				
Continental	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	5	0.03%	950	5.54%	798	3.92%	934	4.58%
Express Jet	-	0.00%	-	0.00%	-	0.00%	-	0.00%	399	2.67%	402	2.56%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Atlantic Southeast Airline	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	95	0.60%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Chautauqua	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	173	1.01%	752	3.69%	424	2.07%
Continental Express	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	55	0.35%	657	4.30%	-	0.00%	-	0.00%	-	0.00%
Total Continental	-	0.00%	-	0.00%	-	0.00%	-	0.00%	399	2.67%	552	3.51%	662	4.33%	1,123	6.55%	1,550	7.62%	1,358	6.65%
American Eagle	5,009	37.73%	1,043	7.63%	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%
Northwest	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	91	0.60%	896	5.23%	1,390	6.83%	1,374	6.73%
Allegiant Air	-	0.00%	-	0.00%	2	0.01%	4	0.03%	21	0.14%	4	0.03%	-	0.00%	110	0.64%	-	0.00%	18	0.09%
Independence Air	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Republic Airlines	-	0.00%	30	0.22%	48	0.34%	48	0.32%	-	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%	0.00%	-	0.00%	25	0.15%	158	0.78%	-	0.00%
Vision Air	-	0.00%	-	0.00%	2	0.01%	14	0.09%	16	0.11%	36	0.23%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Swift Air	-	0.00%	-	0.00%	-	0.00%	2	0.01%	-	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%
Subtotal	10,485	78.97%	10,692	78.22%	11,212	79.29%	12,005	79.71%	12,043	80.47%	12,588	80.03%	13,392	87.68%	14,795	86.33%	16,326	80.24%	16,006	78.38%

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA
 AIRLINE OPERATION DATA (LANDING & TAKEOFFS)
 LAST TEN FISCAL YEARS

	2016		2015		2014		2013		2012		2011		2010		2009		2008		2007	
	2016	Share	2015	Share	2014	Share	2013	Share	2012	Share	2011	Share	2010	Share	2009	Share	2008	Share	2007	Share
Cargo Airlines																				
Airborne Express		0.00%		0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	11	0.06%	511	2.51%	507	2.48%
Air Cargo Carriers	766	5.77%	759	5.55%	743	5.25%	803	5.33%	602	4.02%	477	3.03%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Ameriflight		0.00%		0.00%	-	0.00%	-	0.00%	34	0.23%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Bankair		0.00%		0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	8	0.04%	77	0.38%
Emery Worldwide		0.00%		0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Federal Express	468	3.52%	467	3.42%	473	3.35%	477	3.17%	372	2.49%	477	3.03%	460	3.01%	433	2.53%	362	1.78%	471	2.31%
Martinaire	255	1.92%	281	2.06%	312	2.21%	583	3.87%	584	3.90%	722	4.59%	-	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	256	1.93%	261	1.91%	258	1.82%	265	1.76%	258	1.72%	262	1.67%	328	2.15%	287	1.67%	459	2.26%	766	3.75%
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	1,018	7.67%	971	7.10%	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%
Wiggins Airways	29	0.22%	238	1.74%	212	1.50%	-	0.00%	125	0.84%	246	1.56%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Subtotal	2,792	21.03%	2,977	21.78%	2,928	20.71%	3,056	20.29%	2,923	19.53%	3,141	19.97%	1,882	12.32%	2,342	13.67%	4,020	19.76%	4,415	21.62%
Totals	13,277	100.00%	13,669	100.00%	14,140	100.00%	15,061	100.00%	14,966	100.00%	15,729	100.00%	15,274	100.00%	17,137	100.00%	20,346	100.00%	20,421	100.00%

- (1) d/b/a United Express
- (2) d/b/a Delta Connection
- (3) d/b/a US Airways Express

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF INSURANCE IN FORCE

DECEMBER 31, 2016

<u>Type of Coverage</u>	<u>Insurer</u>	<u>Coverage Amount</u>	<u>Expiration Date</u>
Worker's Compensation	South Carolina Accident Fund	Actual	2/17/17
Auto Comprehensive and Collision	South Carolina Insurance Reserve Func \$	1,000,000	2/17/17
Data Processing	South Carolina Insurance Reserve Func \$	500,000	2/17/17
Building and Personal Property	South Carolina Insurance Reserve Func \$	98,494,370	2/17/17
Auto Liability	South Carolina Insurance Reserve Func \$	1,000,000	2/17/17
Inland Marine	South Carolina Insurance Reserve Func \$	214,420	2/17/17
General Tort Liabilty	South Carolina Insurance Reserve Func \$	1,000,000	2/17/17
Medical Professional Liability	SC Insurance Reserve Fund	\$300K/\$600K Per Occurrence No Aggregate	2/17/17
Director/Officer	National Union Fire Insurance Co.	\$ 1,000,000	8/1/17
Employee Dishonesty	Travelers Casualty & Surety	\$ 500,000	7/14/17
Airport Liability Insurance	Global Aerospace, Inc.	\$ 150,000,000 (General Limit)	8/16/17

SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR	Federal CFDA	Program / Contract	Total Expenditures
U.S. Department of Transportation			
Airport Improvement Program	20.106	3-45-0018-43	\$ 1,202,360
Airport Improvement Program	20.106	3-45-0018-44	330,347
Airport Improvement Program	20.106	3-45-0018-45	658,110
Airport Improvement Program	20.106	3-45-0018-46	5,381,589
Airport Improvement Program	21.106	3-45-0018-47	<u>1,834,684</u>
Total U.S. Department of Transportation			9,407,091
U.S. Department of Homeland Security			
Law Enforcement Officer			
Reimbursement Agreement Program	97.090	HSTS0208HSLR302	<u>86,907</u>
Total U.S. Department of Homeland Security			<u>86,907</u>
Total Federal Awards			<u>\$ 9,493,998</u>

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA
 SCHEDULE OF PASSENGER FACILITY CHARGE (PFC'S) AND EXPENSES
 YEAR ENDED DECEMBER 31, 2016

Description	Award Number	Beginning Balance	Receipts and Interest	Expenses	Ending Balance
U.S. Department of Transportation Federal Aviation Administration:					
Passenger Facility Charge Program	93-01-C-02- CAE	\$2,688,384	\$2,266,345	\$ (4,617,986)	\$336,743

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2016

Note 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 Uniform Grant Guidance (Subpart F) audit requirements (as amended).

The financial activity shown in the Schedule of Expenditure of Federal Awards reflects amounts recorded by the District using the accrual basis of accounting during its fiscal year January 1, 2016 through December 31, 2016.

Note 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 Uniform Grant Guidance (Subpart F) 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 using the accrual basis of accounting during its fiscal year January 1, 2016 through December 31, 2016.

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

A Professional Association Of

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

121 EXECUTIVE CENTER DRIVE, SUITE 206, COLUMBIA, SOUTH CAROLINA 29210
POST OFFICE BOX 1960, COLUMBIA, SOUTH CAROLINA 29202
FAX: (803) 216-9498

Columbia
Phone: (803) 772-5300

Myrtle Beach/Conway
Phone: (843) 488-5301

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated July 31, 2017.

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.



July 31, 2017

Columbia, South Carolina

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

A Professional Association Of
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

121 EXECUTIVE CENTER DRIVE, SUITE 206, COLUMBIA, SOUTH CAROLINA 29210
POST OFFICE BOX 1960, COLUMBIA, SOUTH CAROLINA 29202
FAX: (803) 216-9498

Columbia
Phone: (803) 772-5300

Myrtle Beach/Conway
Phone: (843) 488-5301

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

Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that 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, 2016.



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


July 31, 2017
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 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, 2016.

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, 2016.

— 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.


July 31, 2017
Columbia, South Carolina

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2016

Part I— Summary of Auditor’s Results

Financial Statements:

I have issued an unmodified opinion dated July 31, 2017 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 July 31, 2017 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 OMB Uniform Grant Guidance (Subpart F) No

Identification of Major Programs:

- CFDA #20.106 – Airport Improvement Program
- Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
- 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.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA