

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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YEAR ENDED DECEMBER 31, 2012  
WITH  
INDEPENDENT AUDITOR'S REPORT

Issued by:  
Finance Department

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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YEAR ENDED DECEMBER 31, 2012

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## INTRODUCTORY SECTION



# COLUMBIA METROPOLITAN AIRPORT

*Fly with ease.*

## Letter of Transmittal

May 13, 2013

To the Members of Richland-Lexington Airport District Commission

We are pleased to submit the "Comprehensive Annual Financial Report" of the Richland Lexington Airport District, South Carolina (the "District") for the Fiscal Year Ended December 31, 2012 (FY 2012). 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 Scott and Company LLC, 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, 2012.

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

## **Profile of the Government**

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

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

The District's Commission is responsible, among other things, for hiring the executive director and selecting the independent auditor to audit the annual financial statements. The Airport's Executive Director is responsible for carrying out the policies and ordinances of the District's Commission and to oversee the day-to-day operations of the Airport through the appointment of staff to head various divisions – Human Resources, Marketing, Planning / Facilities, Public Safety and Finance / Administration. The District has approximately 70 employees.

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

## **Factors Affecting Financial Condition**

Accounting standards require management of the District to prepare a narrative introduction, overview, and analysis to accompany the basic financial statements. Management's Discussion and Analysis (the "MD&A") is part of the Financial Section of this report. It contains a discussion of the District's current financial statements and activities for the year ended December 31, 2012, and can be found immediately following the *Independent Auditor's Report*. However, the information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the District operates as outlined below.

### *The Airport*

The Airport is comprised of approximately 2,600 acres and is located within the greater metropolitan area of Columbia, South Carolina. The Airport's facilities include two runways (11/29 and 5/23) with lengths of 8,602 and 8,000 feet, respectively; a passenger terminal with 13 aircraft parking positions; parking facilities for 3,505 automobiles; a 108-acre parcel designated as a Foreign Trade Zone; 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 2012 was approximately 1,074,860. The economy of the air service area is diverse with approximately 24% of total employment being with manufacturing, with the remainder of employment distributed among healthcare, insurance, colleges and universities, wholesale and retail trade, logistics, and food processing.

### Airlines

As of December 31, 2012 the following air carriers presently serve the Airport through a variety of operators that change periodically:

#### Passenger Airlines:

Delta Airlines, Inc.; American Airlines; US Airways; United Airlines; and Continental Airlines.

#### Cargo Airlines:

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

Delta Air Lines and its 'code-sharing' affiliated airlines continue to account for the majority of passengers at approximately 44.19% of total 2012 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 15.32% of the airline operations (UPS and feeder carriers) at the Airport.

### Airline Agreements

New airline use agreements were completed in October 2009, and were effective January 1, 2010. The new agreements are a hybrid of both residual and compensatory rate-setting methodologies. They 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 new agreements include an airline security reimbursement fee in addition to the landing fee and terminal rents paid by the airlines. The agreement also contains 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 a control environment that supports continuous risk assessment, the proper control activities, reliable and secure information and communication, and appropriate monitoring to ensure the effectiveness and efficiency of our operations, the reliability of our financial reporting, and our compliance with applicable laws and regulations.

#### Parking Management Agreement

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

#### Rental Car Concession Agreements

The District has entered into substantially similar concession agreements with "on-Airport" rental car companies - Avis, Hertz, Budget, National, Thrifty, Dollar, and Enterprise effective February 1, 2010, and terminating January 31, 2015.

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

#### Other Terminal Concession Agreements

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

### **Budgetary and Accounting Procedures**

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

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

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

### **Acknowledgements**

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



Respectfully submitted,

/S/ Gregory K. Hornsby, CPA

Director of Finance and Administration

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
LIST OF PRINCIPAL OFFICIALS  
DECEMBER 31, 2012

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**Members of the Commission**

Anne M. Sinclair, Chairman  
David N. Jordan, Vice Chairman  
Hazel L. Bennett  
James A. Compton  
Duane E. Cooper  
Jerrod F. Howard  
Larry L. Koester  
Richard M. McIntyre  
Robert W. Price, Jr.  
F. Xavier Starkes  
James L. Whitmire  
Roxanne Wilson

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**Administrative Officials**

Dan E. Mann, A.A.E., Executive Director  
Randy M. Blackmon, Director of Public Safety  
Chappelle Broome, Director of Human Resources / DBE Liaison Officer  
Lynne W. Douglas, Air Service / Customer Service Manager  
Kaela Harmon, Public Relations / Government Affairs Manager  
Charles M. Henderson, A.A.E., Director of Planning and Facilities  
Gregory K. Hornsby, C.P.A., Director of Finance & Administration

## FINANCIAL SECTION

## Independent Auditor's Report

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Board of Commissioners  
Richland-Lexington Airport District, South Carolina

### Report on Financial Statements

We have audited the accompanying financial statements of Richland-Lexington Airport District, (the "District"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year total comparative financial information presented has been derived from the District's 2011 audited financial statements. Those financial statements were audited by us and our report dated April 12, 2012 expressed an unqualified opinion on those statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richland-Lexington Airport District as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and Schedule of Funding Progress – Other Postemployment Benefits and Annual Other Postemployment Benefit Costs on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Schedule of Passenger Facility Charges (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 required parts of the financial statements.

The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Schedule of Passenger Facility Charges (PFC's) and Expenses as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and Schedule of Passenger Facility Charges (PFC's) and Expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 13, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

*Scott and Company LLC*

May 13, 2013  
Columbia, South Carolina

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2012

### Introduction

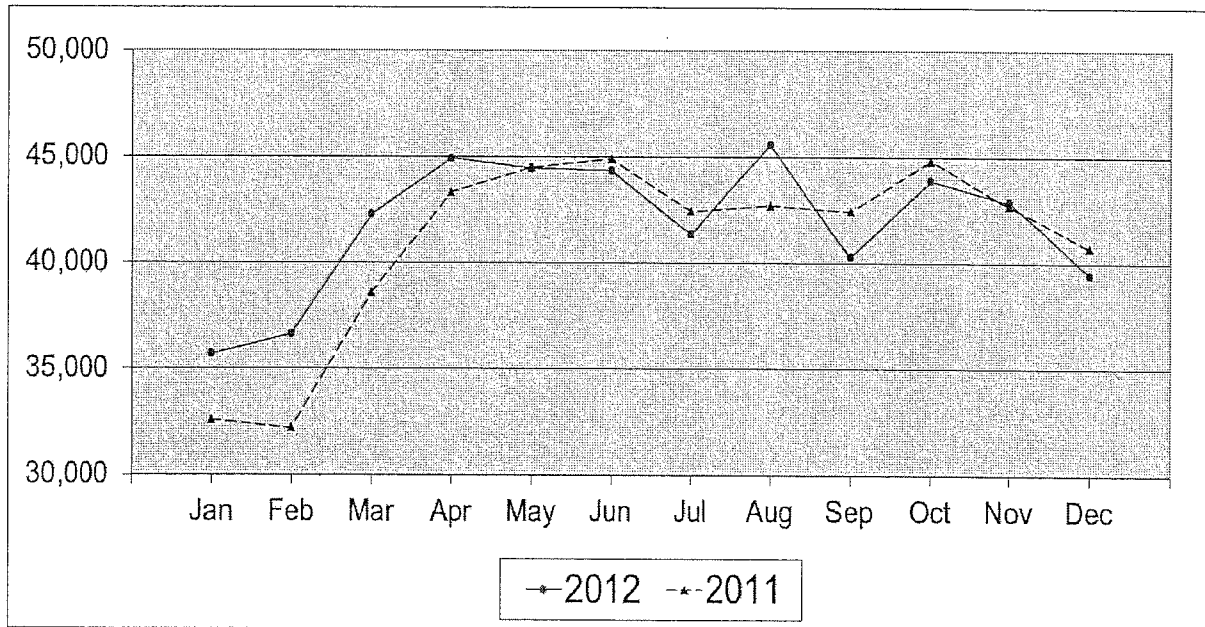
The Richland Lexington Airport District, South Carolina, is pleased to present its Annual Financial Report in accordance with Statement of Governmental Accounting Standards No. 34, entitled *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments* (GASB 34).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

### Operating and Financial Highlights

The District's year ended December 31, 2012 saw the first year of increased enplanements since 2005 after a period of decline from 2010 – 2011. Capacity increased by 12,498 seats (1.81%), which provided the opportunity for increased passengers. The load factors (ratio of passengers to seats) improved slightly from 71.29% in 2011 to 71.42% in 2012, resulting in the increased passenger traffic. The increased traffic and revenue provided for a financially positive year in 2012.

The following are key operational and financial highlights:

- 501,806 passengers were enplaned in fiscal year 2012, which was a 2.01% increase over the 491,921 passengers enplaned in fiscal year 2011. Air service averaged 36 daily flights each month. Enplanements by month are shown in the following chart.



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

- Operating revenues were \$17.2 million.
- Operating expenses before depreciation were \$10.8 million, which was a 6.43% increase from fiscal year 2011.
- Net change in net position as a ratio to the total of net operating revenue, non-operating revenues, and capital contributions was 7.08% in fiscal year 2012, an increase over the negative 3.27% achieved in fiscal year 2011.
- Debt service coverage ratio on the annual debt service requirement was 168%, which exceeded the required Revenue Bond covenants.
- The total of cash and cash equivalents and temporary investments (not including restricted assets of the same description) was materially unchanged, decreasing by \$31,075 in fiscal year 2012.
- Total assets at December 31, 2012 were \$173.2 million and were in excess of liabilities by approximately \$101.3 million (i.e. net position). The net position are comprised of \$72.3 million invested in capital assets (net of related debt), \$11.0 million in net position that are restricted for debt service, projects, and other purposes, and \$18.0 million that is unrestricted.
- The District capitalized \$2.58 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 payment of \$2.5 million in bond principal and additional \$2.2 million redemption in May 2012.
- The District's net position improved from 2011. Although total assets decreased from 2012 balances, the current and long-term debt to equity ratios improved with a negligible impact to unrestricted cash and temporary investments.

## **Overview of Annual Financial Report**

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

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



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

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the 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 Scott and Company LLC of Columbia, South Carolina.

## **Summary of Organization and Business**

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

Pursuant to Act 292 of 1985 of the General Assembly of the State of South Carolina (the "Act"), the District was authorized to issue not more than \$20 million dollars of general obligation bonds of the District to provide funds for the refinancing of existing debt of the District and the construction, enlargement, improvement, extension, renovation of, or land acquisition for, suitable airport facilities within the District.

The District issued \$10 million of its General Obligation bonds, Series 1985, dated as of December 1, 1985, leaving an equal amount of remaining authorization. The balance of the Series 1985 G.O. bonds was refinanced in 1996, and satisfied in fiscal year 1999. The remaining \$10 million of general obligation bond authorization provided by Act 292 has been utilized in a Series 2013 G.O. bond transaction to refund a portion of Series 2001A general aviation revenue bonds in April 2013.

Airport operations are otherwise funded from airline and non-airline customer and tenant revenues.

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

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

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

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

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

Passenger air carriers include operators for Delta Airlines, American Airlines, Continental, US Airways, and United Airlines. Cargo air carrier service was provided by United Parcel Service and affiliated “feeder” airlines carriers, Federal Express, and Mountain Air Cargo. Of these carriers, American Airlines, Mountain Air Cargo, and the UPS “feeder” airlines are non-signatory airlines.

Non-airline customers and tenants include Paradies (retail concessionaire), Concessions International (food concessionaire), Travel Incorporated, several rental car agencies, United Services Organization, Federal government agencies (FAA, NOAA, TSA,), SC Department of Aeronautics, SCANA, fixed-based operators and an aircraft maintenance organization.

The District also owns an industrial park adjacent to the Airport. The park is 439 acres, with 153 acres sold by the District to Lexington County in 1999 and 2000, which are occupied by Flextronics (computers), Harsco Rail (transportation), Akebono (automotive), Allied Air (construction), and Beverage South. Other tenants include United Parcel Service (freight COD), CEE-US (utilities), and L & L Products (automotive). United Parcel Service’s lease terminated in December 2012 and has not been renewed. A portion of the park is reserved for future aviation-related development, and the remainder is available for sale.

## Financial Analysis

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

### CONDENSED STATEMENTS OF NET POSITION

|   | December 31,<br>2012  | December 31,<br>2011  |
|---|-----------------------|-----------------------|
| <b>Assets:</b>                            |                       |                       |
| Current assets                            | \$ 13,047,021         | \$ 12,422,353         |
| Restricted assets                         | 11,911,218            | 11,971,540            |
| Capital assets, net                       | 140,610,198           | 144,031,807           |
| Other long-term assets                    | 7,597,198             | 8,042,360             |
| <b>Total Assets</b>                       | <b>\$ 173,165,635</b> | <b>\$ 176,468,060</b> |
| <b>Liabilities:</b>                       |                       |                       |
| Current liabilities                       | \$ 6,092,054          | \$ 6,473,137          |
| Long-term liabilities                     | 65,806,186            | 70,510,884            |
| <b>Total Liabilities</b>                  | <b>71,898,240</b>     | <b>76,984,021</b>     |
| <b>Net Position:</b>                      |                       |                       |
| Invested in capital assets, net           | 72,278,326            | 71,515,684            |
| Restricted                                | 10,990,249            | 10,048,959            |
| Unrestricted                              | 17,998,820            | 17,919,396            |
| <b>Total Net Position</b>                 | <b>101,267,395</b>    | <b>99,484,039</b>     |
| <b>Total Liabilities and Net Position</b> | <b>\$ 173,165,635</b> | <b>\$ 176,468,060</b> |

#### Statements of Financial Position

Overall, the District's financial position has improved in 2012. The current ratio (current unrestricted assets divided by current unrestricted liabilities) improved to 19.66 from 7.89 in 2011, based on the previously mentioned signatory airline surcharge in 2012 and the decrease in current unrestricted liabilities, which is discussed below.

Unrestricted cash and temporary investments decreased by \$31,075. The District had 239.44 days cash on hand to meet operating and debt service funding needs, as compared to 260.82 days in 2011, as a result of asset acquisition, signatory airline rebate, and Series 2001A bond debt reduction.

Receivables, net increased by \$.7 million, which is the product of a \$.9 million signatory airline surcharge in 2012, and a \$.2 million decrease in the trade receivables portion. The surcharge is discussed in the "Operating Revenue" section below. The number of days operating revenue in receivables (excluding the year end signatory airline surcharge or rebate in both revenue and receivables) decreased to 30.81 from 36.79 in 2011.

The balances for accrued interest receivable, inventory, and prepaid expenses (in total) are materially consistent with the 2011 balances.

Statements of Net Position (continued)

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

Restricted temporary investments represent those investments held in trust as the Series 2001A Debt Service Reserve fund which have maturities within one year of the statement of net position date. The remainder of this fund with investment maturities exceeding one year of the statement of net position date is reported on the Statement of Net Position as a non-current restricted investment. These investments are discussed in Note 3.

Grant funds receivable is consistent with prior year, decreasing by \$39,363.

Capital assets net of accumulated depreciation decreased by approximately \$3.4 million. Additions and construction projects included new parking revenue control equipment and the completion of the East Air Freight Apron, Pitts Dam, and terminal public restroom renovation projects. These and other minor projects and additions totaled approximately \$5.2 million, but were offset by \$8.6 million of depreciation expense. A reconciliation of all changes to capital assets is provided in Note 5.

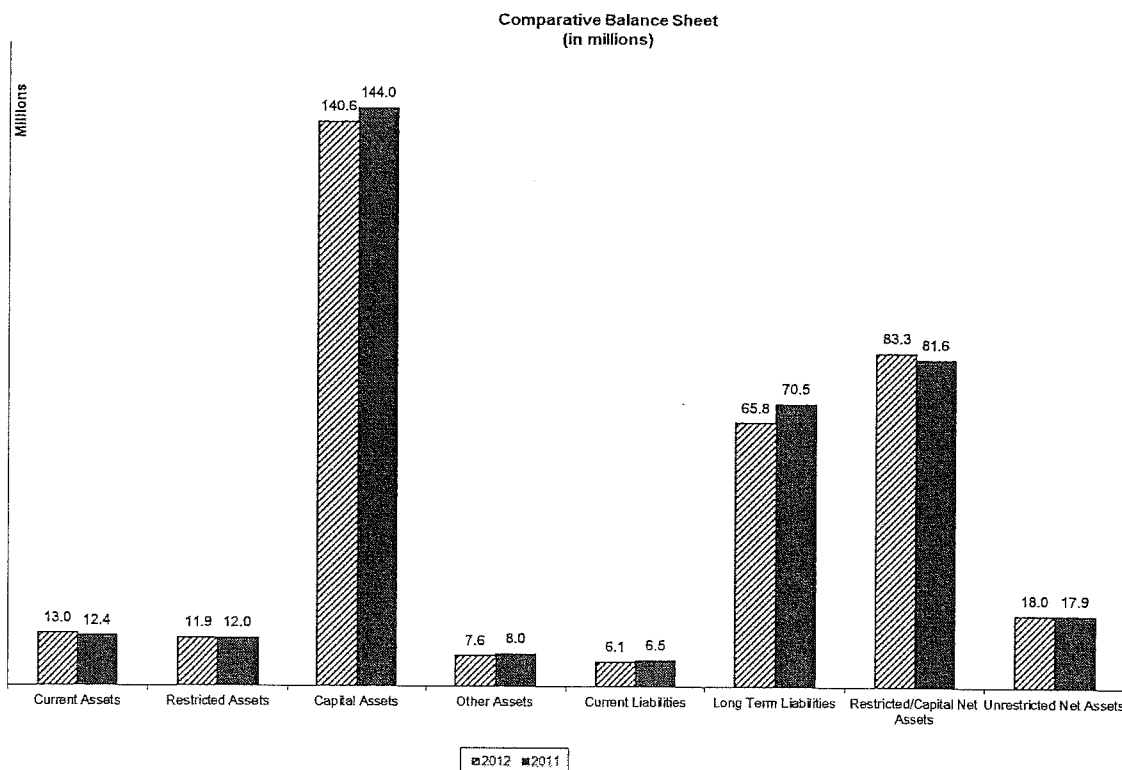
Other Assets includes bond issuance costs and airline contract development costs net of accumulated amortization. It also includes intangible assets associated with the FAA Noise Program improvements to nearby homes affected by air traffic noise, net of accumulated amortization. The intangible assets are aviation easements which ensure building compliance with FAA-mandated building height restrictions in controlled air space.

Current “unrestricted” liabilities decreased by approximately \$.9 million, due primarily to the payment of the \$1.1 million 2011 signatory airline rebate.

As noted in the Operating and Financial Highlights, in May 2012, the District redeemed \$2.2 million of Series 2001A term bonds bearing a coupon rate of 5% maturing January 1, 2031. As a result of this and the scheduled principal payments, debt per enplaned passenger improved to \$133.08 at year-end, from \$145.23 for 2011.

No changes to the retiree health benefit were made in 2012, and the liability at December 31, 2012 increased \$0.1 million from 2011. Further discussion of this subject is presented in Note 11 – Post Employment Benefits Other Than Pension.

Total net position increased by \$1.8 million, primarily due to increased investment in capital assets net of related debt and the increase in the “Other purposes” section of net position related to accumulated rental car Contract Facility Fees.



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

|   | <u>Years Ended December 31,</u> |                     |
|---|---------------------------------|---------------------|
|   | <u>2012</u>                     | <u>2011</u>         |
| Operating revenues (before Signatory Airline surcharge) | \$ 16,286,910                   | \$ 16,113,791       |
| Signatory Airline surcharge (rebate)                    | 919,238                         | (1,081,934)         |
| <b>Total Operating Revenues</b>                         | <b>17,206,148</b>               | <b>15,031,857</b>   |
| Operating expenses (before depreciation)                | 10,823,392                      | 10,216,048          |
| Depreciation  | 8,591,418                       | 8,698,300           |
| <b>Total Operating Expenses</b>                         | <b>19,414,812</b>               | <b>18,914,348</b>   |
| Loss from operations                                    | (2,208,664)                     | (3,882,491)         |
| Net non-operating revenues                              | 666,620                         | 452,476             |
| Grant revenues  | 3,325,400                       | 2,698,665           |
| <b>Net Change in Net Position</b>                       | <b>\$ 1,783,356</b>             | <b>\$ (731,350)</b> |

## CONDENSED STATEMENT OF REVENUES

|  | <u>Years Ended December 31,</u> |                      |
|--|---------------------------------|----------------------|
|  | <u>2012</u>                     | <u>2011</u>          |
| Landing fees                             | \$ 3,268,845                    | \$ 3,370,969         |
| Leased sites                             | 6,702,583                       | 6,464,225            |
| Terminal rent                            | 6,054,710                       | 5,909,693            |
| Passenger Facility Charges (PFC's)       | 1,939,983                       | 1,905,561            |
| Contract Facility Charges (CFC's)        | 2,659,044                       | 2,516,880            |
| Grant revenue                            | 3,325,400                       | 2,698,665            |
| Investment income                        | 70,841                          | 48,018               |
| Other (Operating & Non-Operating)        | 260,772                         | 425,389              |
| Gain/(loss) on sale/retirement of assets | -                               | 121,354              |
| Signatory Airline surcharge              | 919,238                         | (1,081,934)          |
| Total Revenues                           | <u>\$ 25,201,416</u>            | <u>\$ 22,378,820</u> |

### Operating Revenues

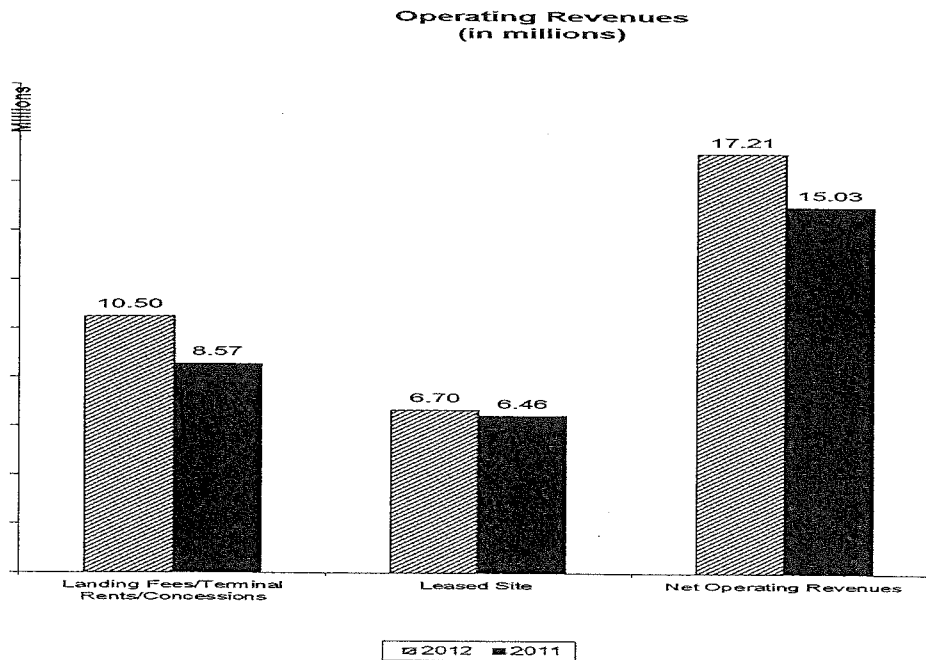
Revenue from operations is comprised of airfield landing fees, rental fees from tenants (on the airport campus and in the terminal), airline security reimbursement fee, parking (included in Leased Sites), concessions, and a small amount of other revenue. Net operating revenues of approximately \$17.2 million is a \$2.2 million increase from the 2011 net operating revenue.

The increase in net operating revenue was primarily due to the \$2.0 million difference between the signatory airline surcharge of \$.9 million in 2012 and the \$1.1 million signatory airline rebate in 2011. The \$2.2 million redemption of Series 2001A bonds in May 2012 increased the debt service amount considered in the signatory airline reconciliation and was the most significant factor that produced the \$.9 million surcharge.

Non-operating revenues include Passenger Facility Charges (PFCs) and Contract Facility Charges (CFCs). PFCs in excess of eligible debt service and CFCs in excess of the contractually defined "CFC Requirement" are not credited to the airlines. Capital expenses include debt service on the outstanding General Aviation Revenue Bonds as well as capital asset acquisition cost, net of associated Airport Improvement Program reimbursements.

The 2012 airline rates were: landing fees of \$3.13 per 1,000 lbs of certificated landed weight, terminal rental rates of \$32.03 per square foot, and security fee reimbursement of \$1.39 per enplaned passenger.

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



### CONDENSED STATEMENT OF EXPENSES

|                        | <u>Years Ended December 31,</u> |                      |
|------------------------|---------------------------------|----------------------|
|                        | <u>2012</u>                     | <u>2011</u>          |
| Operating expenses     | \$ 19,414,812                   | \$ 18,914,348        |
| Non-operating expenses | 4,003,248                       | 4,195,822            |
| Total Expenses         | <u>\$ 23,418,060</u>            | <u>\$ 23,110,170</u> |

#### Operating Expenses

The District's expenses are comprised of the following: salaries and benefits, supplies, airport operations, travel and education, outside professional services, bad debt expense, marketing, and depreciation. Operating expenses before depreciation were \$10.8 million, an increase of \$.7 million from the 2011 amount.

Salaries and benefits and Airport Operations both increased \$.3 million, while Marketing expense increased \$.1 million over 2011. Salaries and Benefits increases were attributable to an increase in employee benefit costs and additional personnel. Airport Operations included higher maintenance cost for the terminal building, jet bridges, and parking garage. The higher Marketing expense is a result of a campaign to enhance community relations in an attempt to reduce passenger losses to competing airports. Depreciation expense of \$8.6 million was a decrease of 0.1 million from 2011, as several assets became fully depreciated in 2011 or during 2012.

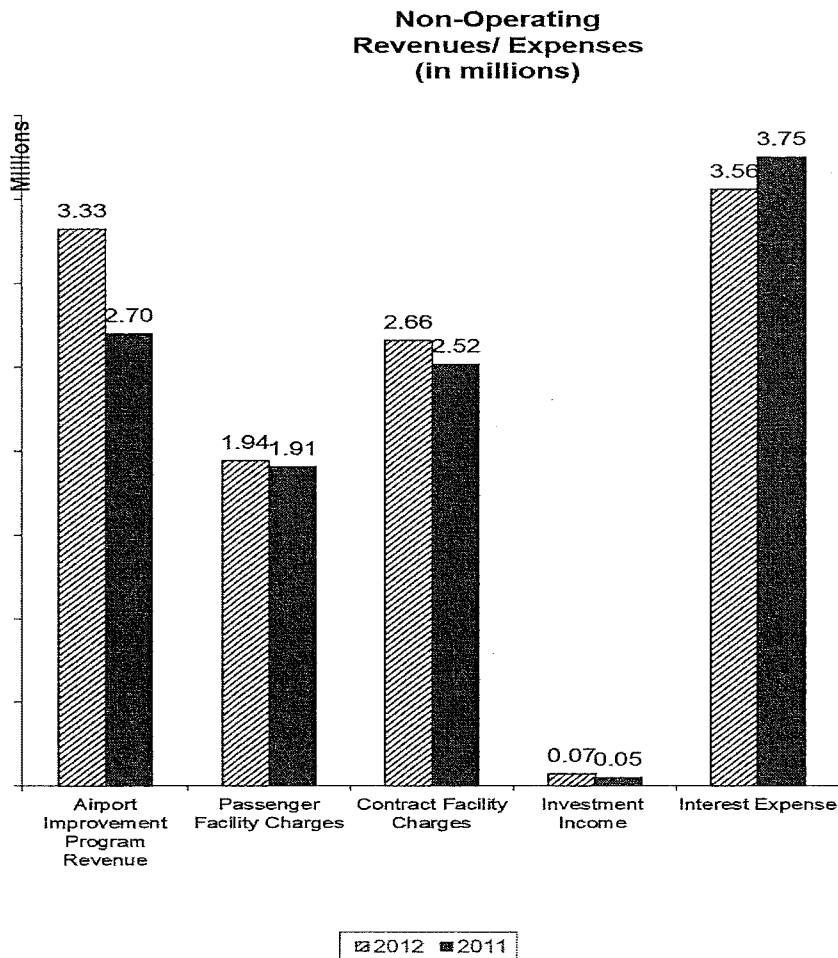
### Non-Operating Revenues and Expenses

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

PFC revenue of \$1.9 million was approximately \$34,000 (1.8%) more than 2011 collections, which is consistent with the comparison of enplanements between 2012 and 2011. CFC revenue of \$2.6 million was \$.1 million more than 2011 collections.

Investment income of \$71,000 was approximately 48% more than 2011 income, reflecting improved opportunities in cash (money market) investments. Interest expense was \$0.2 million less than 2011. A portion of this decrease is attributed to the \$2.2 million redemption of Series 2001A 5% coupon bonds in May 2012.

Airport Improvement Program (AIP) grant revenue from the Federal Aviation Administration (FAA) was \$3.3 million, in reimbursement for projects discussed in capital asset comments.



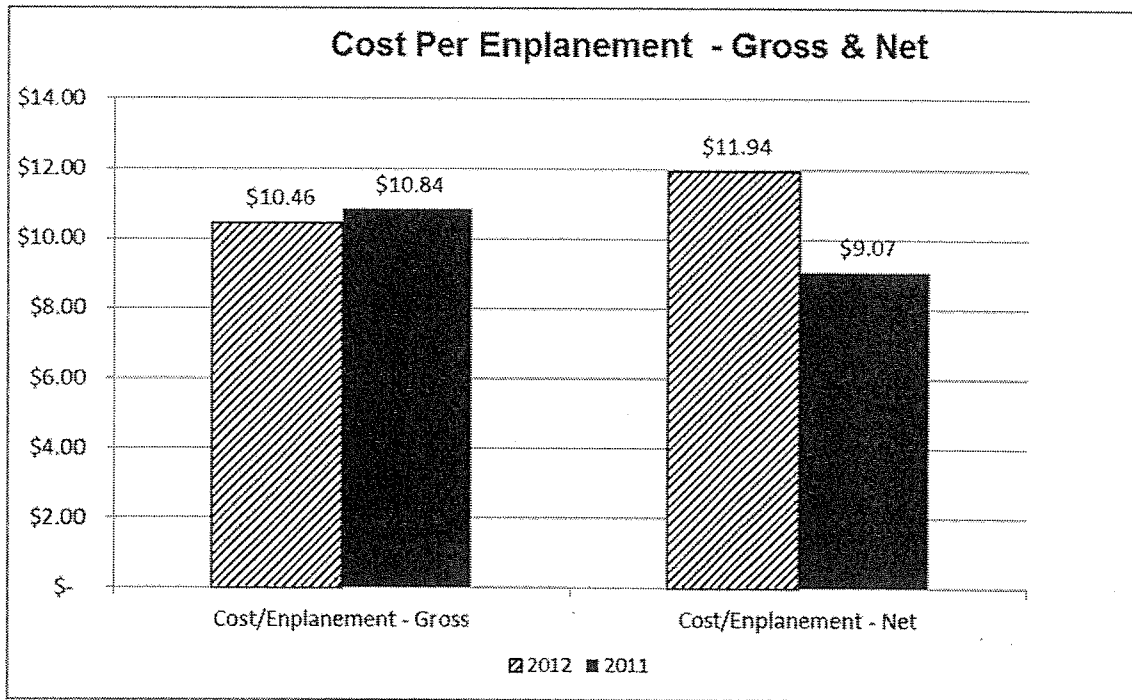


## General Trends and Significant Events

Passenger traffic for 2012 was 2.01% higher than 2011, the District's first positive comparison to a previous year since 2005. Airline seat capacity increased by 1.81%, and utilized at the same rate as existing seats to produce increased enplanements.

Operating expense management continues to be a focus of executive and supervisory staff, although 2012 did experience an increase over 2011. While staffing continues to be at significantly lower numbers than previous years, some increase from additional staff and filled vacancies has increased the expense. Additionally, an increased demand for maintenance in the terminal and garage has resulted in higher expense levels. Despite the unfavorable expense comparison to 2011, the 2012 operating expenses before depreciation are lower than each year during the period 2006 – 2010.

The signatory airline rebate experienced a significant change in 2012 from 2011 due largely to the previously discussed bond redemption transaction. While it did have a negative impact on the "Net" Cost per enplanement, management feels it was warranted from the current and long term statement of net position improvement and future reductions in interest expense.



## Final Comments

The District's liquidity measurement of days cash on hand and operating measurement of cost per enplanement diminished slightly from 2011, but is still markedly improved over previous year's measurements. In addition to the bond debt redemption previously discussed, in April 2013, management concluded a refunding of \$11.2 million of Series 2001A bonds that financed the construction of the public parking garage. The refunding bonds are \$10 million of general obligation (AMT) bonds payable from airport revenues. The refunding bonds will produce an average annual savings of \$.25 million during its 14-year term.

**Final Comments (continued)**

Management believes that 2013 will continue the positive results of 2012 and will continue the efforts to improve seat capacity, fares, and passenger retention to keep Columbia Metropolitan Airport the airport of choice for the Midlands air travelers.

AUDITED BASIC FINANCIAL STATEMENTS

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF NET POSITION

DECEMBER 31, 2012

(With comparative amounts at December 31, 2011)

|  | 2012                  | 2011                  |
|--|-----------------------|-----------------------|
| <b>Assets</b>                                  |                       |                       |
| Current Assets:                                |                       |                       |
| Cash and cash equivalents                      | \$ 9,946,484          | \$ 8,977,559          |
| Temporary investments                          | -                     | 1,000,000             |
| Receivables, net                               | 1,591,286             | 1,847,247             |
| Amount due from signatory airlines - surcharge | 919,238               | -                     |
| Accrued interest receivable                    | 1,346                 | 1,011                 |
| Inventory                                      | 252,782               | 291,711               |
| Prepaid expenses                               | 335,885               | 304,825               |
|  | <u>13,047,021</u>     | <u>12,422,353</u>     |
| Restricted assets:                             |                       |                       |
| Cash and cash equivalents                      | 9,543,318             | 9,749,837             |
| Temporary investments                          | 507,623               | 410,353               |
| Grant funds receivable                         | 425,140               | 464,503               |
|  | <u>10,476,081</u>     | <u>10,624,693</u>     |
| Total current assets                           | <u>23,523,102</u>     | <u>23,047,046</u>     |
| Non-Current assets:                            |                       |                       |
| Capital assets:                                |                       |                       |
| Capital assets, net of depreciation            | 123,989,716           | 128,968,100           |
| Capital assets not subject to depreciation     | 16,620,482            | 15,063,707            |
| Total capital assets, net                      | <u>140,610,198</u>    | <u>144,031,807</u>    |
| Non-Current Restricted assets:                 |                       |                       |
| Investments                                    | 1,435,137             | 1,346,847             |
| Other assets:                                  |                       |                       |
| Other assets, net                              | 7,597,198             | 8,042,360             |
| Total other assets                             | <u>7,597,198</u>      | <u>8,042,360</u>      |
| Total non-current assets                       | <u>149,642,533</u>    | <u>153,421,014</u>    |
| Total assets                                   | <u>\$ 173,165,635</u> | <u>\$ 176,468,060</u> |

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF NET POSITION

-CONTINUED-

|  | 2012                  | 2011                  |
|--|-----------------------|-----------------------|
| <b>Liabilities and Net Assets</b>                    |                       |                       |
| Current liabilities:                                 |                       |                       |
| Accounts payable                                     | \$ 268,502            | \$ 106,346            |
| Accrued payroll and withholdings                     | 353,924               | 332,390               |
| Deferred revenue                                     | 41,114                | 53,427                |
| Amount due to airlines - signatory rebate            | -                     | 1,081,934             |
|  | <u>663,540</u>        | <u>1,574,097</u>      |
| Current liabilities payable from restricted assets:  |                       |                       |
| Construction project payable                         | 1,064,539             | 543,093               |
| Revenue bonds and accrued interest - current portion | <u>4,363,975</u>      | <u>4,355,947</u>      |
|  | <u>5,428,514</u>      | <u>4,899,040</u>      |
| Total current liabilities                            | <u>6,092,054</u>      | <u>6,473,137</u>      |
| Non-current liabilities:                             |                       |                       |
| Revenue bonds payable                                | 64,682,333            | 69,513,028            |
| OPEB obligation                                      | <u>1,123,853</u>      | <u>997,856</u>        |
| Total non-current liabilities                        | <u>65,806,186</u>     | <u>70,510,884</u>     |
| Total liabilities                                    | <u>71,898,240</u>     | <u>76,984,021</u>     |
| Net Position:  |                       |                       |
| Invested in capital assets, net of related debt      | 72,278,326            | 71,515,684            |
| Restricted for:                                      |                       |                       |
| Capital projects                                     | 425,140               | 464,503               |
| Debt service   | 6,482,668             | 6,491,491             |
| Other purposes                                       | 4,082,441             | 3,092,965             |
| Unrestricted   | <u>17,998,820</u>     | <u>17,919,396</u>     |
| Total net position                                   | <u>101,267,395</u>    | <u>99,484,039</u>     |
| Total liabilities and net position                   | <u>\$ 173,165,635</u> | <u>\$ 176,468,060</u> |

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2012

(With comparative amounts year ended December 31, 2011)

|   | 2012           | 2011          |
|---|----------------|---------------|
| <b>Operating Revenues</b>   |                |               |
| Airfield landing fees   | \$ 3,268,845   | \$ 3,370,969  |
| Leased sites  | 6,702,583      | 6,464,225     |
| Terminal rents and commissions  | 6,054,710      | 5,909,693     |
| Other   | 260,772        | 368,904       |
| Total operating revenue before Signatory Airline rebate                             | 16,286,910     | 16,113,791    |
| Signatory Airline surcharge (rebate)  | 919,238        | (1,081,934)   |
| Net operating revenue   | 17,206,148     | 15,031,857    |
| <b>Operating Expenses</b>   |                |               |
| Salaries and employee benefits  | 6,113,141      | 5,775,757     |
| Supplies  | 92,062         | 94,541        |
| Airport operations  | 3,670,286      | 3,420,416     |
| Travel and education  | 275,935        | 279,510       |
| Outside professional services   | 128,362        | 169,976       |
| Marketing   | 543,608        | 429,129       |
| Bad debt expense  | -              | 46,719        |
| Depreciation  | 8,591,418      | 8,698,300     |
| Total operating expenses  | 19,414,812     | 18,914,348    |
| Loss from operations  | (2,208,664)    | (3,882,491)   |
| <b>Non-operating Revenue (Expenses)</b>   |                |               |
| Passenger Facility Charges (PFC's)  | 1,939,983      | 1,905,561     |
| Contract Facility Charges (CFC's)   | 2,659,044      | 2,516,880     |
| Investment income   | 70,841         | 48,018        |
| Interest expense  | (3,558,086)    | (3,750,660)   |
| Amortization expense  | (445,162)      | (445,162)     |
| Gain on sale/retirement of assets   | -              | 121,354       |
| Other   | -              | 56,485        |
| Net non-operating revenues  | 666,620        | 452,476       |
| Loss from operations and net non-operating revenues<br>before capital contributions | (1,542,044)    | (3,430,015)   |
| <b>Capital Contributions</b>  |                |               |
| Grant revenue   | 3,325,400      | 2,698,665     |
| Net change in net position  | 1,783,356      | (731,350)     |
| Beginning of year, net position   | 99,484,039     | 100,215,389   |
| End of year, net position   | \$ 101,267,395 | \$ 99,484,039 |

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

(With comparative amounts year ended December 31, 2011)

|  | <u>2012</u>                 | <u>2011</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Cash Flow from Operating Activities</b>                     |                             |                             |
| Cash received from customers                                   | \$ 15,448,626               | \$ 15,932,113               |
| Cash paid to employees for services                            | (5,965,610)                 | (6,044,753)                 |
| Cash paid to suppliers   | (4,540,226)                 | (4,512,711)                 |
| Net cash provided by operating activities                      | <u>4,942,790</u>            | <u>5,374,649</u>            |
| <b>Cash Flow from Capital and Related Financing Activities</b> |                             |                             |
| Federal and state grants received                              | 3,364,763                   | 2,278,152                   |
| Acquisition and construction of capital assets                 | (4,648,366)                 | (3,190,049)                 |
| Principal paid on long term debt                               | (4,660,000)                 | (2,360,000)                 |
| Interest paid  | (3,720,754)                 | (3,844,210)                 |
| Contract Facility Charges collected                            | 2,659,044                   | 2,516,880                   |
| Passenger Facility Charges collected                           | 1,939,983                   | 1,905,561                   |
| Proceeds from sale of capital assets                           | -                           | 232,022                     |
| Net cash used in capital and related financing activities      | <u>(5,065,330)</u>          | <u>(2,461,644)</u>          |
| <b>Cash Flow from Investing Activities</b>                     |                             |                             |
| Purchases of investments                                       | (1,942,760)                 | (2,757,200)                 |
| Proceeds from sales of investments                             | 2,757,200                   | 2,809,721                   |
| Investment income  | 70,506                      | 50,438                      |
| Net cash provided by investing activities                      | <u>884,946</u>              | <u>102,959</u>              |
| Net increase in cash and cash equivalents                      | 762,406                     | 3,015,964                   |
| Cash and cash equivalents at beginning of year                 | <u>18,727,396</u>           | <u>15,711,432</u>           |
| Cash and cash equivalents at end of year                       | <u><u>\$ 19,489,802</u></u> | <u><u>\$ 18,727,396</u></u> |

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RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

-CONTINUED-

|   | <u>2012</u>          | <u>2011</u>          |
|---|----------------------|----------------------|
| <b>Reconciliation of operating loss to net cash provided</b>    |                      |                      |
| by operating activities   |                      |                      |
| Loss from operations  | \$ (2,208,664)       | \$ (3,882,491)       |
| Adjustments to reconcile operating loss to net cash provided    |                      |                      |
| by operating activities:  |                      |                      |
| Depreciation  | 8,591,418            | 8,698,300            |
| Signatory rebate (surcharge)                                    | (1,463,904)          | 1,081,934            |
| Changes in other assets and liabilities:                        |                      |                      |
| Decrease (increase) in accounts receivable                      | (281,307)            | (207,219)            |
| Decrease (increase) in inventory                                | 38,929               | (24,919)             |
| (Increase) decrease in prepaid expenses                         | (31,060)             | 15,549               |
| Decrease in accounts payable                                    | 162,156              | (63,050)             |
| Increase (decrease) in accrued expenses                         | 21,538               | (398,828)            |
| (Decrease) increase in deferred revenue                         | (12,313)             | 25,541               |
| Increase in OPEB obligation                                     | 125,997              | 129,832              |
| Net cash provided by operating activities                       | <u>\$ 4,942,790</u>  | <u>\$ 5,374,649</u>  |
| <b>Reconciliation of cash and cash equivalents</b>              |                      |                      |
| Cash and cash equivalents - unrestricted                        | \$ 9,946,484         | \$ 8,977,559         |
| Cash and cash equivalents - restricted                          | 9,543,318            | 9,749,837            |
| Total cash and cash equivalents                                 | <u>\$ 19,489,802</u> | <u>\$ 18,727,396</u> |
| <b>Supplemental disclosure of non-cash investing activities</b> |                      |                      |
| Net depreciation of investments reported at fair value          | <u>\$ (22,687)</u>   | <u>\$ (32,994)</u>   |

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

The District's significant accounting policies are described below:

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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

**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.

**Investments and Temporary Investments** - Temporary investments represent certificates of deposit and repurchase agreements with maturities greater than three months but less than one year. The District's investments with maturities of greater than one year are included in non-current assets. The carrying value of the District's investments approximated fair value at December 31, 2012.

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

**Inventory** - 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").

**Restricted Assets** - Restricted assets represent monies or other resources, the use of which is either externally imposed or restricted by legal or contractual requirements. At December 31, 2012, 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, airfield, buildings, and equipment are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. The construction-in-progress account consists of costs to date associated with construction projects.

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

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

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

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

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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

**Capitalization of Interest** - Interest costs incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**Other Assets (Deferred Charges)** - Bond issuance costs incurred are deferred and amortized over the life of the related bond issue using the straight-line method, which approximates the effective-interest method, and are included in other assets.

**Long-term Obligations** - Long-term debt represents unmatured principal of revenue bonds. The Other Postemployment Benefits liability is also recorded as a long-term obligation (*See Note 11*).

**Compensated Absences (Accrued Vacation)** - The District maintains a policy that allows employees to carryover an amount not to exceed the maximum annual accrued leave to the subsequent year. The District considers this amount to be a current liability since it does not restrict the amount of leave used by an employee, subject to management approval. Accrued vacation is treated as a terminal benefit and is paid to the extent of the accumulated balance upon an employee's termination. Accumulated sick leave is not paid when the employee terminates their employment, and therefore, an accrual is not made for unpaid sick time.

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

**Lease Accounting** - Revenue from terminal building space rentals and other leased sites is accounted for under the operating lease method. Base monthly rentals are computed on the square footage occupied by the tenant times the rent per square foot which varies with options to renew; however, lease terms provide for early termination by either party with a 30-day notification. Annual rent increases are primarily based on annual increases in the Consumers Price Index, where applicable.

In addition, lease revenues from airlines for the year ended December 31, 2012 were based on certain "signatory" and "non-signatory" airline lease and use agreements. Beginning January 1, 2010, \$332,858 of contract development costs will be amortized over the five year term of the airline-airport use agreement. At December 31, 2012, the District had \$133,143 of unamortized contract development costs.

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

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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

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

**Contract Facility Charges** - Contract Facility Charges ("CFC's"), collected pursuant to certain agreements on automobile rentals, are restricted for debt service, ground use charges, and operations and maintenance expense related to automobile rental tenants. These amounts have been recognized when receipted as non-operating revenue. In the event of a CFC shortfall the District establishes an accounts receivable for the difference between CFC collections and above mentioned expenses.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts receivable, bad debt expense, Signatory Airline rebate or surcharge (as applicable for the year ended December 31, 2012), and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

**Comparative Data and Reclassifications** - The 2011 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, 2011, 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 month of October, 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.

For the year ended December 31, 2012, the District operated under a \$17,296,365 budget, of which \$6,252,949 was related to the District's long-term debt service, \$10,376,367 was related to the District's operations before depreciation and \$621,500 was related to capital expenditures funded by the District, net of FAA Airport Improvement Program reimbursement.

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### **Note 3. Deposits and 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, 2012, the carrying amount of the District's cash deposits with financial institutions was \$19,489,427 and the financial institution's balances totaled \$19,678,034. Of the balance, approximately \$424,000 was covered by Federal Depository Insurance and the remaining balance was covered by collateral held by the financial institutions' trust departments in the District's name.

Deposits include demand deposits, repurchase agreements, and money market funds at December 31, 2012 as follows:

|   | Carrying<br>Amounts | Bank Balances       |                          | Totals              |
|---|---------------------|---------------------|--------------------------|---------------------|
|   |                     | Demand<br>Deposits  | Money<br>Market<br>Funds |                     |
| Funds with financial institutions       | \$ 9,946,109        | \$ 3,104,966        | \$ 7,029,751             | \$10,134,717        |
| Funds on hand                           | 375                 | —                   | —                        | —                   |
| Unrestricted cash and<br>equivalents    | <u>\$ 9,946,484</u> | <u>\$ 3,104,966</u> | <u>\$ 7,029,751</u>      | <u>\$10,134,717</u> |
| Restricted cash and cash<br>equivalents | <u>\$ 9,543,318</u> | <u>\$ 4,003,409</u> | <u>\$ 5,539,908</u>      | <u>\$ 9,543,317</u> |

#### Investments

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 Service, 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.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

The District's investments are carried at fair value at December 31, 2012 and are as follows:

| <u>Investment</u>   | <u>Maturities</u>  | <u>Fair Value</u>   |
|---------------------|--------------------|---------------------|
| U.S. agencies       | Less than one year | \$ 228,111          |
| U.S. agencies       | More than one year | 957,846             |
| U.S. treasury notes | Less than one year | 279,512             |
| U.S. treasury notes | More than one year | 477,291             |
| Total investments   |                    | <u>\$ 1,942,760</u> |

| <u>Reconciliations of Accounts</u> | <u>Balance</u>      |
|------------------------------------|---------------------|
| Restricted current investments     | \$ 507,623          |
| Restricted non-current investments | 1,435,137           |
| Total investments                  | <u>\$ 1,942,760</u> |

The investments of \$1,942,760 are collateralized as described above.

**Note 4. Receivables**

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

| <u>Accounts:</u>       | <u>2012</u>         | <u>2011</u>         |
|------------------------|---------------------|---------------------|
| Airfield landing fees  | \$ 853,378          | \$ 525,210          |
| Leased sites           | 25,583              | 76,189              |
| Terminal building      | 1,055,112           | 607,460             |
| Parking and other fees | 353,238             | 327,523             |
| Other                  | 223,213             | 310,864             |
| Net receivables        | <u>\$ 2,510,524</u> | <u>\$ 1,847,246</u> |

Management considers the allowance for uncollectible accounts at December 31, 2012 to be immaterial.

Restricted grant funds receivable include receivables of \$425,140 from the Federal Aviation Administration (FAA) Airport Improvement Grant and have been recognized as part of restricted assets.



RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets**

A summary of changes in capital assets during the year ended December 31, 2012 is as follows:

|  | Balance<br>12/31/2011 | Additions     | Retirements | Transfers   | Balance<br>12/31/2012 |
|--|-----------------------|---------------|-------------|-------------|-----------------------|
| <b>Capital Assets</b>                        |                       |               |             |             |                       |
| Not subject to depreciation:                 |                       |               |             |             |                       |
| Land   | \$ 13,524,981         | \$ -          | \$ -        | \$ -        | \$ 13,524,981         |
| Construction- in- progress                   | 1,538,726             | 4,170,359     | (36,026)    | (2,577,558) | 3,095,501             |
| Total capital assets not depreciated         | 15,063,707            | 4,170,359     | (36,026)    | (2,577,558) | 16,620,482            |
| Subject to depreciation:                     |                       |               |             |             |                       |
| Airfield                                     | 110,926,579           | -             | -           | 845,376     | 111,771,995           |
| Buildings                                    | 118,364,793           | 243,856       | -           | 1,702,768   | 120,311,417           |
| Furniture, Vehicles,<br>Equipment            | 8,221,435             | 791,620       | -           | 29,414      | 9,042,469             |
| Total capital assets subject to depreciation | 237,512,807           | 1,035,476     | -           | 2,577,558   | 241,125,841           |
| Less, accumulated depreciation               |                       |               |             |             |                       |
| Airfield                                     | (46,558,285)          | (4,131,906)   | -           | -           | (50,690,191)          |
| Buildings                                    | (55,137,508)          | (3,946,649)   | -           | -           | (59,084,157)          |
| Furniture, Vehicles,<br>Equipment            | (6,848,914)           | (512,863)     | -           | -           | (7,361,777)           |
| Total accumulated depreciation               | (108,544,707)         | (8,591,418)   | -           | -           | (117,136,125)         |
| Net capital assets subject to depreciation   | 128,968,100           | (7,555,942)   | -           | 2,577,558   | 123,989,716           |
| Net capital assets                           | \$ 144,031,807        | \$(3,385,583) | \$ (36,026) | \$ -        | \$ 140,610,198        |

Total depreciation expenses for the year ended December 31, 2012 equaled \$8,591,418.

Funded by Airport Improvement Program grants (AIP#'s 36, 40, & 41); the District added \$4.1 million of assets to the airfield and terminal consisting of apron and taxiway rehabilitation, airfield signage and safety improvements, and terminal roof and public restroom rehabilitation.

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### **Note 6. Long-Term Debt**

#### Bonds Payable

The District had the following outstanding revenue bond issues at December 31, 2012:

#### **Airport Revenue Bonds, Series 2001A**

\$31,590,000 Bonds of 2001A are due in annual installments of \$580,000 to \$2,000,000 beginning January 1, 2004 through January 1, 2031 with interest at 3.35% to 5.00% \$ 18,260,000

#### **Taxable Airport Revenue Bonds, Series 2001B**

\$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% 14,140,000

#### **Airport Refunding Revenue Bonds, Series 2004**

\$24,390,000 Bonds of 2004 are due in annual installments of \$595,000 to \$1,985,000 through January 1, 2025 with interest at 4.00% to 5.13% 18,670,000

#### **Airport Refunding Revenue Bonds, Series 2005**

\$19,645,000 Bonds of 2005 are due in annual installments of \$590,000 to \$1,530,000 through January 1, 2026 with interest at 4.00% to 5.00% 15,710,000

Total revenue bonds payable \$ 66,780,000

Changes in revenue bonded debt for the year ended December 31, 2012 were as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|-----------------------|---------------------------|
| Revenue bonds payable  | <u>\$ 71,440,000</u>         | <u>\$ —</u>      | <u>\$ (4,660,000)</u> | \$ 66,780,000             |
| Plus, net amounts for original<br>issuance premiums and<br>discounts |                              |                  |                       | 487,333                   |
| Less, current portion due<br>within one year                         |                              |                  |                       | <u>(2,585,000)</u>        |
| Net long-term revenue bonds<br>payable                               |                              |                  |                       | <u>\$ 64,682,333</u>      |

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (continued)

#### Bonds Payable (continued)

The future annual requirements of revenue bonded debt at December 31, 2012 are as follows:

| <u>Years Ended December 31,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>          |
|---------------------------------|----------------------|----------------------|-----------------------|
| 2013                            | \$ 2,585,000         | 3,492,336            | \$ 6,077,336          |
| 2014                            | 2,715,000            | 3,357,269            | 6,072,269             |
| 2015                            | 3,485,000            | 3,198,532            | 6,683,532             |
| 2016                            | 3,260,000            | 3,024,538            | 6,284,538             |
| 2017                            | 3,445,000            | 2,850,022            | 6,295,022             |
| 2018-2022                       | 20,080,000           | 11,265,537           | 31,345,537            |
| 2023-2027                       | 21,390,000           | 5,423,852            | 26,813,852            |
| 2028-2031                       | 9,820,000            | 1,119,094            | 10,939,094            |
|                                 | <u>\$ 66,780,000</u> | <u>\$ 33,731,180</u> | <u>\$ 100,511,180</u> |

Reconciliation of "current portions" of long-term debt at December 31, 2012 follows:

|                  | <u>Current Liabilities<br/>Payable From<br/>Restricted Assets</u> |
|------------------|---|
| Revenue bonds    | \$ 2,585,000  |
| Accrued interest | 1,778,975   |
|                  | <u>\$ 4,363,975</u>   |

#### Pledged Revenue

Pursuant to Bond Indenture of Trusts, substantially all of the District's operating revenues, net of expenses, are pledged for bonds repayment. The District is required by debt covenants to maintain the sum of Net Revenues and Series Security of 125% of the Adjusted Debt Service Requirement for such fiscal year. Additionally, the District collects Passenger Facilities Charges (PFC's) from airlines at a rate of \$4.50 per enplaned passenger, net of allowable administrative costs of \$0.11, which is pledged as Series Security for the Airport Refunding Revenue Bond Series 2004 and 2005. Proceeds from the bonds were used to refund the outstanding Series 1995 and 1996A Bonds, respectively, which were used to construct certain terminal building improvements and other projects. Approximately 82% of the Series 2004 and 34% of the Series 2005 annual debt service are eligible for funding with PFC's, which produces an average annual maximum Series Security of approximately \$1.8 million. Annual principal and interest payments on those bonds required 92% of the series security. The remaining principal and interest requirement on the Series 2004 bonds is \$25.8 million payable through January 1, 2025. The remaining principal and interest requirement on the Series 2005 bonds is \$21.6 million payable through January 1, 2026.

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (continued)

The following table depicts the other obligations for which the District has pledged future revenue net of specified operating expenses. Annual principal and interest requirements on those obligations are expected to require 40% of net revenues.

| Series   | Purpose                             | Remaining<br>Principal and<br>Interest | Principal and<br>Interest paid<br>during 2012 |
|--|-------------------------------------|--|---|
| Airport Revenue Bonds<br>Series 2001A            | Parking improvements                | \$ 28,109,913                          | \$ 1,828,638                                  |
| Taxable Airport<br>Revenue Bonds<br>Series 2001B | Rental car facility<br>improvements | \$ 24,989,972                          | \$ 1,326,703                                  |

Principal and interest paid during the current year and total net revenues (before Passenger Facilities Charges) were \$7,811,433 and \$6,180,755, respectively.

#### Optional Redemption

The District executed an optional redemption in May 2012 of \$2,200,000 of Series 2001A bonds with a 5% coupon rate maturing January 1, 2031.

#### Subsequent Event

In April of 2013 the District refunded \$11,225,000 of Series 2001A Airport Revenue Bonds with \$10,000,000 of Series 2013 General Obligation Bonds and available Series 2001A debt service and debt service reserve funds. The Series 2013 Bonds are secured by the full faith, credit, resources, and taxing power of the District.

### Note 7. 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 and investments of \$9,543,318 and \$1,942,760 respectively, represent the District's funds restricted for such purposes, and are reported as both current and non-current assets, based on investment maturity dates.

The \$425,140 grant funds receivable represents resources for use in the FAA's Airport Improvement Program.

#### Other Assets

The District's other assets totaling \$7,597,198 consists of improvements to the investment in the CAE Enterprise Park (\$1,872,017), held for future aviation-related use and sale; bond issue costs (\$5,216,224), net of accumulated amortization expenses (\$1,951,459); signatory airline agreement costs net of accumulated amortization (\$133,143); intangible aviation easements net of accumulated amortization (\$2,326,773); and other assets (\$500).

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### **Note 8. Employee Retirement Systems**

The South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) are cost-sharing multi-employer defined benefit pension plans administered by the SCRS, a Division of the State Budget and Control Board.

Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of SC Code of Laws.

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

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

Employee required contributions to the Plans are as follows:

|               |                |
|---------------|----------------|
| SCRS Class II | 7.0% of salary |
| PORS Class II | 7.0% of salary |

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

|                                   |        |
|-----------------------------------|--------|
| <b>SCRS</b>                       |        |
| State Agencies and Public Schools | 10.45% |
| <b>PORS</b>                       |        |
| Class II                          | 11.90% |

In addition to the above rates, participating employers of the SCRS contribute 0.15% of payroll (\$4,020) to provide a group life insurance benefit for their participants. Participating employers under the PORS also contribute 0.2% of payroll (\$2,461) to provide a group life insurance benefit for their participants.

The District's total covered payroll for the year ended December 31, 2012 was \$3,910,102, of which \$2,679,804 was for all employees covered by SCRS, and \$1,230,298 was for PORS covered employees.

The District contributed 100% of the required contribution for each of the years ended December 31, 2012, 2011, and 2010. The District's contributions to the SCRS for the years ended December 31, 2012, 2011, and 2010 were \$451,018, \$425,476, and \$313,811 respectively. Contributions to PORS for the years ended December 31, 2012, 2011, and 2010 were \$228,717, \$217,063, and \$163,477 respectively.

### **Note 9. Net Position**

Net position represents the difference between total assets and liabilities. Under terms of the Rental Car Concession Agreement, Contract Facility Charges ("CFC") receivables or collections in excess of contract requirements are restricted to use in future periods.

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### **Note 9. Net Position (continued)**

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

|  | 2012                 | 2011                 |
|--|----------------------|----------------------|
| <b>Invested in Capital Assets, Net of Related Debt</b> |                      |                      |
| Net property, plant, and equipment in service          | \$ 137,514,696       | \$ 142,493,079       |
| Construction in progress                               | 3,095,503            | 1,538,728            |
| Less:  |                      |                      |
| Revenue bonds payable, net                             | (67,267,334)         | (71,973,030)         |
| Construction project payable                           | (1,064,539)          | (543,093)            |
| Invested in capital assets, net of related debt        | <u>\$ 72,278,326</u> | <u>\$ 71,515,684</u> |
| <b>Restricted for Capital Projects</b>                 |                      |                      |
| Grant funds receivable                                 | \$ 425,140           | \$ 464,503           |
| Restricted for Debt Service                            | \$ 6,482,668         | \$ 6,491,491         |
| Restricted for Other Purposes                          |                      |                      |
| Law enforcement activities                             | \$ 133,806           | \$ 170,297           |
| Passenger Facility Charges                             | 2,015,396            | 1,886,696            |
| Victims-Rights assistance programs                     | 50,788               | 49,583               |
| CFCs and CFC receivable                                | 1,875,768            | 981,586              |
| Other purposes   | 6,683                | 4,803                |
| Total restricted for other purposes                    | <u>\$ 4,082,441</u>  | <u>\$ 3,092,965</u>  |

### **Note 10. Commitments and Contingencies**

#### Litigation

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

#### Federal and State Assisted Programs

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

#### Commitments

At December 31, 2012, the District had outstanding contractual commitments approximating \$7.7 million for the completion of several construction projects.

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Commitments and Contingencies (continued)

#### Debt Service Coverage

The District has a rate covenant associated with its outstanding revenue bonds which requires the District to establish rates and charges that generate "net revenues" as defined by the Indenture of Trust that are at least equal to 125% of the "Adjusted Debt Service Requirement" as defined by the same indenture. For the year ended December 31, 2012, the District is in compliance with the coverage test.

### Note 11. Post-Employment Benefits Other Than Pension

#### Plan Description

In addition to the pension benefits described in *Note 8*, the District maintains a policy whereby an employee who qualifies for Regular Service retirement under any SCRS plan will have the opportunity to participate in the employee group health insurance plan (including dental).

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

#### Funding Policy

The District's contributions are financed on a pay-as-you-go basis and therefore, no trust fund has been established which would maintain plan net assets. At December 31, 2012, the District had 9 retired employees with an average age of 59 years covered by the program with monthly premium costs averaging \$931.52 per participant. Total expenses incurred by the District for the year ended December 31, 2012 were \$126,950 or 52.09% of the annual required contribution.

#### Annual OPEB Cost

The Annual Required Contribution ("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 OPEB cost for the years ended December 31, 2012 and December 31, 2011 and the related information for the program is as follows:

|   | 2012         | 2011       |
|---|--------------|------------|
| Employer normal costs                   | \$ 142,000   | \$ 142,000 |
| Amortization of UAL                     | 101,700      | 101,700    |
| Annual required contribution (ARC)      | 243,700      | 243,700    |
| Interest on net OPEB obligation         | 44,904       | 39,061     |
| Adjustment to ARC                       | (35,657)     | (30,991)   |
| Annual OPEB cost                        | 252,947      | 251,770    |
| Contributions made                      | (126,950)    | (121,938)  |
| Increase in net OPEB obligation         | 125,997      | 129,832    |
| Net OPEB obligation – beginning of year | 997,856      | 868,024    |
| NET OPEB obligation – end of year       | \$ 1,123,853 | \$ 997,856 |

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Post-Employment Benefits Other Than Pension (continued)

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, 2012 and the two preceding years is as follows:

| Trend Information          |                     |  |                        |
|----------------------------|---------------------|--|------------------------|
| Year ended<br>December 31, | Annual OPEB<br>Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
| 2010                       | 255,771             | 28.84%   | 868,024                |
| 2011                       | 251,770             | 48.43%   | 997,856                |
| 2012                       | 252,947             | 50.18 %  | 1,123,853              |

#### Funded Status and Funding Progress

The actuarial accrued liability for benefits was \$3,365,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,910,102, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 86.1 percent.

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 actuarial valuation at December 31, 2011, 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 remaining amortization period is 28 years. The actuarial assumptions included an estimated investment rate of return of 4.50% (which is the annual return net of both administrative and investment related expenses) and a healthcare inflation rate of 6.90% graded to 4.60% over 80 years.

### Note 12. Insurance Fund

The District is a participant in the Insurance Reserve Fund of South Carolina, which is a self-insuring fund. The fund is available for all qualifying municipalities and instrumentalities of government in the State. 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.



# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### **Note 13. 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 cost \$120 million with a carrying value of \$61 million. Depreciation expense for 2012 totaled \$4.0 million. Because most of the leases provide for an annual review and redetermination of the rental amounts, a schedule of future minimum rentals receivable on noncancelable operating leases is not readily determinable.

### **Note 14. Major Customers and Economic Conditions**

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

|                                  | 2012                 |             | 2011                 |             |
|----------------------------------|----------------------|-------------|----------------------|-------------|
|                                  | Revenue              | %           | Revenue              | %           |
| Air carriers                     | \$ 7,854,321         | 45          | \$ 5,976,834         | 40          |
| Parking                          | 4,838,633            | 28          | 4,701,252            | 31          |
| Rental car operations            | 2,170,433            | 13          | 2,135,173            | 14          |
| Other tenant and concessionaires | 2,081,989            | 12          | 1,849,692            | 12          |
| Other operating revenue          | 260,772              | 2           | 368,906              | 3           |
| Net operating revenue            | <u>\$ 17,206,148</u> | <u>100%</u> | <u>\$ 15,031,857</u> | <u>100%</u> |

A new Signatory Airline Use Agreement became effective January 1, 2010. The new agreement has a five year term, expiring December 31, 2014. Signatory airlines pay their proportionate share of airfield and terminal building costs, and non-signatory airlines are assessed a premium computed as an additional percentage of the signatory airline cost. Signatory airlines participate in a defined distribution of net revenues or revenue deficits, depending on the annual results of the District's operations.

At December 31, 2012, Signatory Airlines consisted of Delta Airlines, US Airways, United Airlines, Continental Airlines, United Parcel Service, and Federal Express.

# RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### Note 14. Major Customers and Economic Conditions (continued)

At December 31, 2012, air carrier revenues, which include leased sites and terminal rental, are concentrated among air carriers as follows:

|                       | 2012         |      | 2011         |      |
|-----------------------|--------------|------|--------------|------|
|                       | Revenue      | %    | Revenue      | %    |
| Delta Airlines        | \$ 2,509,740 | 32   | \$ 1,760,287 | 29   |
| US Airways            | 1,742,901    | 22   | 1,229,747    | 21   |
| United Parcel Service | 1,004,211    | 13   | 749,133      | 13   |
| United Airlines       | 882,122      | 11   | 648,192      | 11   |
| American Airlines     | 535,402      | 7    | 526,009      | 9    |
| Federal Express       | 475,790      | 6    | 382,802      | 6    |
| Continental           | 281,826      | 4    | 234,355      | 4    |
| All Other Carriers    | 422,329      | 5    | 446,309      | 7    |
| Total air carriers    | \$ 7,854,321 | 100% | \$ 5,976,834 | 100% |

The increased airline revenue is directly related to a signatory airline surcharge in 2012, which is impacted by both operating expenses and capital (property, plant, and equipment as well as debt service) expenditures and increased enplanements.

### Note 15. Subsequent Events

Management has evaluated all events subsequent to the statement of financial position date of December 31, 2012 through the date these financial statements were available to be issued, May 13, 2013. Management has determined that except for events related to the debt refunding disclosed in Note 6, there are no subsequent events that require disclosure.

## REQUIRED SUPPLEMENTARY INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS

YEAR ENDED DECEMBER 31, 2012

| Actuarial<br>Valuation Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued               |  | Unfunded AAL<br>(UAAL) (b-a) | Funded Ratio<br>(a/b) | Covered<br>Payroll (c) | UAAL as a<br>percentage of<br>Covered<br>Payroll ((b-a)/c) |
|-----------------------------|----------------------------------|------------------------------------|--|------------------------------|-----------------------|------------------------|--|
|                             |                                  | Liability (AAL)<br>– Entry Age (b) |  |                              |                       |                        |  |
| 12/31/2012                  | \$ —                             | \$ 3,365,800                       |  | \$ 3,365,800                 | 0%                    | \$ 3,910,102           | 86.1%  |
| 12/31/2011                  | \$ —                             | \$ 3,365,800                       |  | \$ 3,365,800                 | 0%                    | \$ 3,874,969           | 86.9%  |
| 12/31/2010                  | \$ —                             | \$ 2,407,100                       |  | \$ 2,407,100                 | 0%                    | \$ 4,923,366           | 48.9%  |
| 12/31/2009                  | \$ —                             | \$ 2,407,100                       |  | \$ 2,407,100                 | 0%                    | \$ 5,295,300           | 45.5%  |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

ANNUAL OTHER POST-EMPLOYMENT BENEFIT COSTS

YEAR ENDED DECEMBER 31, 2012

| <b>Fiscal Year<br/>Ended</b> | <b>Annual OPEB<br/>Cost</b> | <b>Annual OPEB<br/>Contribution</b> | <b>Percentage of<br/>Annual OPEB<br/>Cost<br/>Contributed</b> | <b>Net Unfunded<br/>OPEB<br/>Obligation</b> |
|------------------------------|-----------------------------|-------------------------------------|---|---|
| 12/31/2012                   | \$ 252,947                  | \$126,950                           | 50.18%  | \$1,123,985                                 |
| 12/31/2011                   | \$ 251,770                  | \$121,938                           | 48.43%  | \$ 997,856                                  |
| 12/31/2010                   | \$ 255,771                  | \$ 73,767                           | 28.84%  | \$ 868,024                                  |
| 12/31/2009                   | \$ 253,700                  | \$ 18,800                           | 7.41%   | \$ 686,020                                  |
| 12/31/2008                   | \$ 496,000                  | \$ 30,914                           | 6.23%   | \$ 451,120                                  |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

## OTHER FINANCIAL INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

YEAR ENDED DECEMBER 31, 2012

(With comparative amount year ended December 31, 2011)

|   | 2012       | 2011       |
|---|------------|------------|
| <b>Airfield Landing Fees</b>                          |            |            |
| United Parcel Service                                 | \$ 829,778 | \$ 875,867 |
| Delta Airlines  | 872,054    | 858,703    |
| ASA   | -          | 82         |
| United Airlines                                       | 312,884    | 334,975    |
| Allegiant Air   | 10,723     | 4,877      |
| Federal Express                                       | 270,558    | 271,112    |
| American  | 172,649    | 173,559    |
| Continental   | 54,617     | 58,989     |
| Air Wisconsin   | -          | 5,155      |
| Vision Airlines                                       | 7,969      | 13,705     |
| Mountain Air Cargo                                    | 36,477     | 38,354     |
| US Airways  | 626,990    | 655,588    |
| Martinaire  | 20,440     | 30,980     |
| Air Cargo Carriers                                    | 45,290     | 37,483     |
| Wiggins   | 6,357      | 11,540     |
| Ameriflight   | 2,059      | -          |
| Total airfield landing fees                           | 3,268,845  | 3,370,969  |
| <b>Leased Sites</b>                                   |            |            |
| Bell Aviation / Aviation Assoc                        | 19,866     | 18,427     |
| Eagle Aviation  | 294,768    | 279,193    |
| Columbia Aviation                                     | 73,074     | 66,689     |
| United Parcel Service                                 | 40,965     | 34,663     |
| FAA Sector Office                                     | 107,752    | 84,535     |
| Weather Bureau  | 76,071     | 76,071     |
| GADO  | 66,317     | 78,387     |
| FAA New FSDO  | 165,995    | 162,369    |
| Delta Airlines  | 26,207     | 26,207     |
| Berry's Expediting - Cargo                            | 21,451     | 31,031     |
| Federal Express Cargo                                 | 161,712    | 161,713    |
| United Parcel Service COD Facility                    | 176,261    | 155,110    |
| S.C. Department of Commerce - Division of Aeronautics | 57,441     | 57,441     |
| Parking   | 4,838,633  | 4,701,252  |
| Outdoor Advertising                                   | 7,650      | 2,551      |
| SCANA   | 8,357      | 8,357      |
| Kingston Metal  | 25,195     | 20,260     |
| Lexington County School District 2                    | 17,190     | -          |
| FTZ - INDUCON Joint Ventures                          | 59,766     | 56,920     |
| Doolittle Hangar                                      | 244,180    | 240,616    |
| West Star Aviation - Land Lease                       | 68,502     | 68,664     |
| Avis  | 55,020     | 55,020     |
| Hertz   | 35,700     | 35,700     |
| National  | 35,490     | 30,030     |
| Thrifty   | 13,020     | -          |
| FTZ-FEES  | 6,000      | 13,019     |
| Total Leased Sites                                    | 6,702,583  | 6,464,225  |

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RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

-CONTINUED-

|  | 2012          | 2011          |
|--|---------------|---------------|
| <b>Terminal Rents and Commissions</b>                                |               |               |
| Delta Airlines   | 1,267,359     | 1,267,721     |
| US Airways / Piedmont  | 874,413       | 852,395       |
| American Airlines  | 362,753       | 352,450       |
| Continental Airlines   | 192,804       | 228,390       |
| Air Wisconsin  | 36,091        | 15,038        |
| Vision Airlines  | 6,988         | 40,967        |
| Allegiant  | 5,754         | 7,769         |
| TSA  | 220,219       | 127,044       |
| United Airlines / DGS  | 447,011       | 459,568       |
| Restaurant rental  | 208,657       | 186,157       |
| Gift shop rental   | 217,934       | 211,674       |
| Prime Flight Aviation Service  | -             | 1,470         |
| Taxi and Limousine service   | 66,003        | 61,918        |
| Bank rental  | 11,180        | 9,460         |
| Display Advertising  | 59,298        | 50,244        |
| Travel Service   | 18,666        | 16,974        |
| Miscellaneous concessions and office space                           | 15,732        | 19,051        |
| Avis   | 274,058       | 289,906       |
| Hertz  | 553,258       | 524,848       |
| National   | 493,447       | 491,361       |
| Budget   | 104,101       | 97,974        |
| Thrifty  | 139,943       | 107,855       |
| Enterprise / Dollar  | 466,396       | 489,459       |
| Tenant Phone Service   | 12,645        | -             |
| Total terminal rents and commissions                                 | 6,054,710     | 5,909,693     |
| <b>Other</b>   |               |               |
| Telephone commissions  | 11,877        | 21,716        |
| Police fines   | 1,344         | 1,319         |
| Property rental income   | -             | 5,458         |
| TSA Grant  | 158,153       | 162,084       |
| Miscellaneous  | 72,639        | 170,889       |
| Golf / Race Event  | 16,759        | 7,438         |
| Total other  | 260,772       | 368,904       |
| Total operating revenues before Signatory Airline surcharge (rebate) | \$ 16,286,910 | \$ 16,113,791 |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2012

(With comparative amount year ended December 31, 2011)

|                                       | 2012             | 2011             |
|---------------------------------------|------------------|------------------|
| <b>Salaries and Employee benefits</b> |                  |                  |
| Salaries                              | \$ 4,015,765     | \$ 3,852,228     |
| Overtime                              | 151,641          | 97,538           |
| Payroll taxes                         | 294,970          | 279,820          |
| Retirement                            | 415,639          | 390,647          |
| Group insurance                       | 1,205,820        | 1,136,092        |
| Uniforms and other benefits           | 29,306           | 19,432           |
| Total salaries and employee benefits  | <u>6,113,141</u> | <u>5,775,757</u> |
| <b>Supplies</b>                       |                  |                  |
| Office supplies                       | 30,195           | 20,685           |
| Cleaning supplies                     | 61,867           | 65,953           |
| Fire fighting and first aid supplies  | -                | 7,903            |
| Total supplies                        | <u>92,062</u>    | <u>94,541</u>    |
| <b>Airport Operations</b>             |                  |                  |
| Utilities                             | 1,397,453        | 1,313,250        |
| Repairs and maintenance               | 826,065          | 615,381          |
| Parking management fee                | 548,145          | 548,145          |
| Service contracts                     | 451,357          | 435,069          |
| Insurance                             | 305,650          | 390,031          |
| Fuel                                  | 75,939           | 74,275           |
| Miscellaneous                         | 65,677           | 44,265           |
| Total airport operations              | <u>3,670,286</u> | <u>3,420,416</u> |
| <b>Travel and Education</b>           |                  |                  |
| Dues and subscriptions                | 26,282           | 34,653           |
| Training                              | 120,705          | 103,347          |
| Travel                                | 128,948          | 141,510          |
| Total travel and education            | <u>275,935</u>   | <u>279,510</u>   |

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RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

-CONTINUED-

|                                      | 2012          | 2011          |
|--------------------------------------|---------------|---------------|
| <b>Outside Professional Services</b> |               |               |
| Legal and other professional fees    | \$ 79,604     | \$ 83,429     |
| Planning and development             | 9,850         | 41,852        |
| Consulting                           | 32,553        | 39,520        |
| Outside printing                     | 6,355         | 5,175         |
| Total outside professional services  | 128,362       | 169,976       |
| <b>Marketing</b>                     |               |               |
| Marketing and public relations       | 237,344       | 212,828       |
| Advertising                          | 301,839       | 214,387       |
| Postage and mailing                  | 4,425         | 1,914         |
| Total marketing                      | 543,608       | 429,129       |
| <b>Bad Debt Expense</b>              | -             | 46,719        |
| <b>Depreciation</b>                  | 8,591,418     | 8,698,300     |
| Total operating expenses             | \$ 19,414,812 | \$ 18,914,348 |

## 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, 2012

**Court Fines and Assessments**

|   |                 |
|---|-----------------|
| Court fines and assessments collected                   | \$ 1,324        |
| Court fines and assessments remitted to State Treasurer | (119)           |
| Total court fines and assessments retained              | <u>\$ 1,205</u> |

**Funds Allocated to Victims Services**

|  |                  |
|--|------------------|
| Carryover funds from prior Year                  | \$ 49,583        |
| Charges and assessments retained                 | 1,205            |
| Expenditures for victims service                 | -                |
| Total Unexpended Victims Rights Assistance Funds | <u>\$ 50,788</u> |

## STATISITCAL SECTION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NET POSITION BY COMPONENT  
(Accrual basis of accounting)

LAST TEN FISCAL YEARS

|   | 2012           | 2011          | 2010           | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          |
|---|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Invested in capital assets, net of related debt | \$ 72,278,326  | \$ 71,515,684 | \$ 74,948,911  | \$ 71,069,607 | \$ 72,431,212 | \$ 67,413,810 | \$ 66,821,307 | \$ 60,516,521 | \$ 59,005,269 | \$ 64,998,886 |
| Restricted for:                                 |                |               |                |               |               |               |               |               |               |               |
| Capital projects                                | 425,140        | 464,503       | 43,990         | 451,474       | 625,240       | 1,241,798     | 896,972       | 349,065       | 426,964       | 605,263       |
| Debt service                                    | 6,482,668      | 6,491,491     | 6,602,047      | 6,586,507     | 7,464,277     | 7,310,851     | 7,188,414     | 7,008,886     | 8,191,416     | 2,206,839     |
| Other purposes                                  | 4,082,441      | 3,092,965     | 2,494,217      | 2,253,020     | 1,802,644     | 1,887,440     | 1,654,120     | 951,786       | 322,140       | 526,245       |
| Unrestricted                                    | 17,998,820     | 17,919,396    | 16,126,224     | 12,690,971    | 13,440,972    | 11,881,669    | 10,827,835    | 14,695,368    | 13,014,241    | 13,213,850    |
| Total net position                              | \$ 101,267,395 | \$ 99,484,039 | \$ 100,215,389 | \$ 93,051,579 | \$ 95,764,345 | \$ 89,735,568 | \$ 87,388,648 | \$ 83,521,626 | \$ 80,960,030 | \$ 81,551,083 |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

|   | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Operating Revenue</b>  |              |              |              |              |              |              |              |              |              |              |
| Airfield landing fees   | \$ 3,268,845 | \$ 3,370,969 | \$ 3,642,910 | \$ 2,167,511 | \$ 2,612,124 | \$ 2,531,524 | \$ 2,116,514 | \$ 2,240,932 | \$ 2,161,684 | \$ 1,690,793 |
| Leased sites  | 6,702,583    | 6,464,225    | 6,469,045    | 6,673,715    | 7,369,583    | 8,199,709    | 8,119,345    | 9,042,371    | 7,900,860    | 5,951,656    |
| Terminal rents and commissions  | 6,054,710    | 5,909,693    | 6,302,656    | 5,722,960    | 5,824,151    | 6,558,619    | 5,751,191    | 5,774,283    | 5,211,555    | 4,590,754    |
| Other   | 260,772      | 368,904      | 561,233      | 318,949      | 258,641      | 162,551      | 180,815      | 94,475       | 110,974      | 111,987      |
| Total operating revenue before  |              |              |              |              |              |              |              |              |              |              |
| Signatory Airline surcharge (rebate)  | 16,286,910   | 16,113,791   | 16,975,844   | 14,883,135   | 16,064,499   | 17,452,383   | 16,167,865   | 17,152,061   | 15,385,073   | 12,345,190   |
| Signatory Airline surcharge (rebate)  | 919,238      | (1,081,934)  | 79,729       | -            | 272,239      | 123,760      | (20,840)     | (1,684,355)  | (457,437)    | 896,481      |
| Change in allowance for doubtful accounts and collection on past due accounts | -            | -            | -            | -            | 760,539      | 65,587       | -            | (614,132)    | -            | -            |
| Net operating revenue   | 17,206,148   | 15,031,857   | 17,055,573   | 14,883,135   | 17,097,277   | 17,641,730   | 16,147,025   | 14,853,574   | 14,927,636   | 13,241,671   |
| <b>Operating Expenses</b>   |              |              |              |              |              |              |              |              |              |              |
| Salaries and employee benefits  | 6,113,141    | 5,775,757    | 7,673,292    | 7,598,559    | 7,877,990    | 7,337,687    | 6,931,997    | 6,576,262    | 6,291,465    | 5,877,161    |
| Supplies  | 92,062       | 94,541       | 94,548       | 108,195      | 126,599      | 137,313      | 113,838      | 147,622      | 101,466      | 83,806       |
| Airport operations  | 3,670,286    | 3,420,416    | 3,536,842    | 3,510,081    | 3,673,853    | 3,616,886    | 3,328,759    | 3,102,026    | 2,744,288    | 2,889,802    |
| Travel and education  | 275,935      | 279,510      | 264,354      | 352,013      | 405,203      | 461,903      | 383,939      | 321,837      | 391,546      | 330,073      |
| Outside professional services   | 128,362      | 169,976      | 144,482      | 172,705      | 124,216      | 125,028      | 158,648      | 78,538       | 84,554       | 85,730       |
| Marketing   | 543,608      | 429,129      | 207,943      | 187,370      | 387,346      | 318,880      | 401,121      | 467,864      | 395,018      | 356,345      |
| Bad Debt Expense  | -            | 46,719       | 147,490      | -            | -            | -            | -            | -            | -            | -            |
| Depreciation  | 8,591,418    | 8,698,300    | 8,562,304    | 8,532,885    | 8,152,567    | 7,774,984    | 7,788,237    | 7,140,091    | 7,533,824    | 6,447,352    |
| Total operating expenses  | 19,414,812   | 18,914,348   | 20,631,255   | 20,461,808   | 20,747,774   | 19,772,681   | 19,106,539   | 17,834,240   | 17,542,161   | 16,070,269   |
| Loss from operations  | (2,208,664)  | (3,882,491)  | (3,575,682)  | (5,578,673)  | (3,650,497)  | (2,130,951)  | (2,959,514)  | (2,980,666)  | (2,614,525)  | (2,828,598)  |

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RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

(CONTINUED)

|  | 2012           | 2011          | 2010           | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          |
|--|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Non-operating Revenue (Expenses)</b>  |                |               |                |               |               |               |               |               |               |               |
| Passenger Facility Charges (PFC's)   | \$ 1,939,983   | \$ 1,905,561  | \$ 1,915,574   | \$ 2,065,765  | \$ 2,285,543  | \$ 2,491,711  | \$ 2,596,863  | \$ 3,020,908  | \$ 2,380,287  | \$ 2,045,211  |
| Contract Facility Charges (CFC's)  | 2,659,044      | 2,516,880     | 1,787,847      | 1,613,904     | 1,568,153     | 1,590,219     | 1,281,300     | 1,354,093     | 1,383,786     | 1,238,192     |
| Investment income  | 70,841         | 48,018        | 95,809         | 84,903        | 606,301       | 1,122,087     | 995,269       | 734,618       | 400,556       | 404,372       |
| Interest expense-net of capitalization   | (3,538,086)    | (3,750,660)   | (4,090,938)    | (4,204,442)   | (4,339,560)   | (4,455,635)   | (4,616,787)   | (5,068,766)   | (5,401,246)   | (4,177,084)   |
| Amortization expense-bond issuance costs   | (445,162)      | (445,162)     | (420,920)      | (238,227)     | (238,227)     | (242,123)     | (280,152)     | (198,883)     | (146,967)     | (131,069)     |
| Natural resources revenue (timber sales)   | -              | -             | -              | 48,000        | -             | -             | -             | -             | 33,854        | 139,138       |
| Capital assets transferred to City of Cayce  | -              | -             | -              | -             | -             | -             | -             | -             | (441,443)     | -             |
| Gain (loss) on sale / retirement of assets   | -              | 121,354       | (1,511,460)    | -             | (744,087)     | (1,077,466)   | 517,219       | -             | -             | -             |
| Other revenue  | -              | 56,485        | -              | -             | -             | -             | -             | -             | 647           | 432           |
| Net non-operating revenue (expenses)   | 666,620        | 452,476       | (2,224,088)    | (630,097)     | (861,877)     | (571,207)     | 493,712       | (158,030)     | (1,790,526)   | (480,808)     |
| Loss from operations and net non-operating revenue (expenses) before capital contributions | (1,542,044)    | (3,430,015)   | (5,799,770)    | (6,208,770)   | (4,512,374)   | (2,702,158)   | (2,465,802)   | (3,138,696)   | (4,405,051)   | (3,309,406)   |
| <b>Capital Contributions</b>   |                |               |                |               |               |               |               |               |               |               |
| Grant revenue  | 3,325,400      | 2,698,665     | 12,963,580     | 3,496,004     | 10,541,151    | 5,049,078     | 6,332,824     | 5,700,292     | 3,669,794     | 2,558,850     |
| Changes in net assets before special items   | 1,783,356      | (731,350)     | 7,163,810      | (2,712,766)   | 6,028,777     | 2,346,920     | 3,867,022     | 2,561,596     | (735,257)     | (750,556)     |
| <b>Special Items</b>   |                |               |                |               |               |               |               |               |               |               |
| Arbitrage rebate refund (charge)   | -              | -             | -              | -             | -             | -             | -             | -             | 144,204       | (330,444)     |
| Proceeds of litigation settlement  | -              | -             | -              | -             | -             | -             | -             | -             | -             | 231,000       |
| Net special items  | -              | -             | -              | -             | -             | -             | -             | -             | 144,204       | (99,444)      |
| Net change in net position   | 1,783,356      | (731,350)     | 7,163,810      | (2,712,766)   | 6,028,777     | 2,346,920     | 3,867,022     | 2,561,596     | (591,053)     | (850,000)     |
| Beginning of year, net position  | 99,484,039     | 100,215,389   | 93,051,579     | 95,764,345    | 89,735,568    | 87,388,648    | 83,521,626    | 80,960,030    | 81,551,083    | 82,401,083    |
| End of year, net position  | \$ 101,267,395 | \$ 99,484,039 | \$ 100,215,389 | \$ 93,051,579 | \$ 95,764,345 | \$ 89,735,568 | \$ 87,388,648 | \$ 83,521,626 | \$ 80,960,030 | \$ 81,551,083 |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

REVENUE BY SOURCE

LAST TEN FISCAL YEARS

|   | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Operating Revenue</b>  |               |               |               |               |               |               |               |               |               |               |
| Airfield landing fees   | \$ 3,268,845  | \$ 3,370,969  | \$ 3,642,910  | \$ 2,167,511  | \$ 2,612,124  | \$ 2,531,524  | \$ 2,116,514  | \$ 2,240,932  | \$ 2,161,684  | \$ 1,690,793  |
| Leased sites  | 6,702,583     | 6,464,225     | 6,469,045     | 6,673,715     | 7,369,583     | 8,199,709     | 8,119,345     | 9,217,485     | 7,900,860     | 5,951,656     |
| Terminal rents and commissions  | 6,054,710     | 5,909,693     | 6,302,656     | 5,722,960     | 5,824,151     | 6,558,619     | 5,751,191     | 5,774,283     | 5,211,555     | 4,590,754     |
| Other   | 260,772       | 368,904       | 561,233       | 318,949       | 238,641       | 162,531       | 180,815       | 94,475        | 110,974       | 111,987       |
| Signatory Airline surcharge (rebate)  | 919,238       | (1,081,934)   | 79,729        | -             | 272,239       | 123,760       | (20,840)      | (1,684,355)   | (457,437)     | 896,481       |
| Change in allowance for doubtful accounts and collection on past due accounts | -             | -             | -             | -             | 760,539       | 65,587        | -             | (614,132)     | -             | -             |
| Total operating revenue   | 17,206,148    | 15,031,857    | 17,055,573    | 14,883,135    | 17,097,277    | 17,641,730    | 16,147,025    | 15,028,688    | 14,927,636    | 13,241,671    |
| <b>Revenue by Source</b>  |               |               |               |               |               |               |               |               |               |               |
| Passenger Facility Charges  | 1,939,983     | 1,905,561     | 1,915,574     | 2,065,765     | 2,285,543     | 2,491,711     | 2,596,863     | 3,020,908     | 2,380,287     | 2,045,211     |
| Contract Facility Charges   | 2,659,044     | 2,516,880     | 1,787,847     | 1,613,904     | 1,568,153     | 1,590,219     | 1,281,300     | 1,178,979     | 1,383,786     | 1,238,192     |
| Investment income   | 70,841        | 48,018        | 95,809        | 84,903        | 606,301       | 1,122,087     | 995,269       | 734,618       | 400,556       | 404,372       |
| Gain (loss) on sale/retirement of assets                                      | -             | 121,354       | -             | -             | -             | -             | -             | -             | -             | -             |
| Gain on sale of land  | -             | -             | -             | 48,000        | -             | -             | 517,219       | -             | -             | -             |
| Timber sales  | -             | -             | -             | -             | -             | -             | -             | -             | 33,854        | 139,138       |
| Other revenues  | -             | 56,485        | -             | -             | -             | -             | -             | -             | 647           | 432           |
| Grant revenue   | 3,325,400     | 2,698,665     | 12,963,580    | 3,496,004     | 10,541,151    | 5,049,078     | 6,332,824     | 5,700,292     | 3,669,794     | 2,558,850     |
| Arbitrage rebate refund   | -             | -             | -             | -             | -             | -             | -             | -             | 144,204       | -             |
| Total revenue   | \$ 25,201,416 | \$ 22,378,820 | \$ 33,818,383 | \$ 22,191,711 | \$ 32,098,425 | \$ 27,894,825 | \$ 27,870,500 | \$ 25,663,485 | \$ 22,940,764 | \$ 19,627,866 |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

EXPENSES BY TYPE

LAST TEN FISCAL YEARS

|   | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Operating Expenses</b>                   |               |               |               |               |               |               |               |               |               |               |
| Salaries and employee benefits              | \$ 6,113,141  | \$ 5,775,757  | \$ 7,673,292  | \$ 7,598,559  | \$ 7,877,990  | \$ 7,337,687  | \$ 6,931,997  | \$ 6,576,262  | \$ 6,291,465  | \$ 5,877,161  |
| Supplies                                    | 92,062        | 94,541        | 94,548        | 108,195       | 126,599       | 137,313       | 113,838       | 147,622       | 101,466       | 83,806        |
| Airport operations                          | 3,670,286     | 3,420,416     | 3,536,842     | 3,510,081     | 3,673,853     | 3,563,102     | 3,413,442     | 3,202,979     | 2,744,288     | 2,889,802     |
| Travel and education                        | 275,935       | 279,510       | 264,354       | 352,013       | 405,203       | 461,903       | 383,939       | 321,837       | 391,546       | 330,073       |
| Outside professional services               | 128,362       | 169,976       | 144,482       | 172,705       | 124,216       | 125,028       | 158,648       | 78,538        | 84,554        | 85,730        |
| Marketing                                   | 543,608       | 429,129       | 207,943       | 187,370       | 387,346       | 318,880       | 401,121       | 467,864       | 395,018       | 356,345       |
| Change in inventory valuation               | -             | -             | -             | -             | -             | 53,784        | (84,683)      | (100,953)     | -             | -             |
| Bad Debt Expense                            | -             | 46,719        | 147,490       | -             | -             | -             | -             | -             | -             | -             |
| Depreciation                                | 8,591,418     | 8,698,300     | 8,562,304     | 8,532,885     | 8,152,567     | 7,774,984     | 7,788,237     | 7,140,091     | 7,533,824     | 6,447,352     |
| Total operating expenses                    | 19,414,812    | 18,914,348    | 20,631,255    | 20,461,808    | 20,747,774    | 19,772,681    | 19,106,539    | 17,834,240    | 17,542,161    | 16,070,269    |
| <b>Non-operating Expenses</b>               |               |               |               |               |               |               |               |               |               |               |
| Interest expense-net of capitalization      | 3,558,086     | 3,750,660     | 4,090,938     | 4,204,442     | 4,339,560     | 4,455,635     | 4,616,787     | 5,068,766     | 5,401,246     | 4,177,084     |
| Amortization expense                        | 445,162       | 445,162       | 420,920       | 238,227       | 238,227       | 242,123       | 280,152       | 198,883       | 146,967       | 131,069       |
| Loss on sale of capital assets              | -             | -             | 1,511,460     | -             | 744,087       | 1,077,466     | -             | -             | -             | -             |
| Capital assets transferred to City of Cayce | -             | -             | -             | -             | -             | -             | -             | -             | 441,443       | -             |
| Total non-operating expenses                | 4,003,248     | 4,195,822     | 6,023,318     | 4,442,669     | 5,321,874     | 5,775,224     | 4,896,939     | 5,267,649     | 5,989,656     | 4,308,153     |
| <b>Special Items</b>                        |               |               |               |               |               |               |               |               |               |               |
| Arbitrage rebate amount                     | -             | -             | -             | -             | -             | -             | -             | -             | 144,204       | 330,444       |
| Proceeds of litigation settlement           | -             | -             | -             | -             | -             | -             | -             | -             | -             | (231,000)     |
| Net special items                           | -             | -             | -             | -             | -             | -             | -             | -             | 144,204       | 99,444        |
| Total expenses by type                      | \$ 23,418,060 | \$ 23,110,170 | \$ 26,654,573 | \$ 24,904,477 | \$ 26,069,648 | \$ 25,547,905 | \$ 24,003,478 | \$ 23,101,889 | \$ 23,676,021 | \$ 20,477,866 |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

PASSENGER ENPLANEMENTS BY AIRLINE

LAST TEN FISCAL YEARS

| Airline  | 2012           | 2011           | 2010           | 2009           | 2008           | 2007           | 2006           | 2005           | 2004           | 2003           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Delta &amp; Affiliates:</b>                     |                |                |                |                |                |                |                |                |                |                |
| Delta Airlines                                     | 89,882         | 62,906         | 27,169         | 14,091         | 44,422         | 63,292         | 79,563         | 98,256         | 93,201         | 81,319         |
| Atlantic Coast Airlines                            |                |                |                |                |                |                |                |                | 25,324         | 30,435         |
| Atlantic Southeast                                 | 93,227         | 126,052        | 142,941        | 147,752        | 124,637        | 130,291        | 127,623        | 108,954        | 96,520         | 89,298         |
| Chautauqua   | 17,374         | 10,825         | 8,315          | 1,618          | 1,740          | 9,848          | 10,746         | 7,220          | 9,816          | 13,741         |
| Comair   | 86             | 2,190          | 10,198         | 5,333          | 7,747          | 6,508          | 9,213          | 100,503        | 73,685         | 46,415         |
| Shuttle America                                    | 43             | -              | 64             | 396            | 3,354          | -              | -              | -              | -              | -              |
| Mesa / Freedom                                     | -              | -              | 3,485          | 10,161         | 7,188          | -              | -              | -              | -              | -              |
| Pinnacle   | 21,168         | 10,388         | 9,943          | 1,167          | -              | -              | -              | -              | -              | -              |
| <b>Total Delta Affiliates</b>                      | <b>221,780</b> | <b>212,361</b> | <b>202,115</b> | <b>180,518</b> | <b>189,088</b> | <b>209,939</b> | <b>227,145</b> | <b>314,933</b> | <b>298,546</b> | <b>261,208</b> |
| <b>US Airways &amp; Affiliates:</b>                |                |                |                |                |                |                |                |                |                |                |
| US Airways   |                |                |                |                |                |                |                |                |                |                |
| Piedmont   | 12,794         | 11,154         | 13,408         | 27,730         | 28,304         | 22,991         | 28,320         | 4,251          | -              | -              |
| Chautauqua   | 28,010         | 43,625         | 32,114         | 9,416          | 9,517          | -              | 15,072         | 14,478         | 25,780         | 51,443         |
| PSA  | 12,444         | 18,320         | 18,924         | 46,027         | 50,623         | 77,467         | 58,735         | -              | 3,843          | 21,936         |
| Mesa   | -              | -              | -              | -              | -              | 19,805         | -              | 126,913        | 96,587         | 47,401         |
| Mesa / Freedom                                     | 70             | -              | -              | -              | -              | 35,974         | 50,770         | 2,976          | -              | -              |
| Air Wisconsin                                      | 97,131         | 68,489         | 80,456         | 54,280         | 43,485         | -              | -              | -              | -              | -              |
| Republic   | 741            | 848            | 331            | -              | -              | -              | -              | -              | -              | -              |
| <b>Total US Airways &amp; Affiliates</b>           | <b>151,190</b> | <b>142,436</b> | <b>145,233</b> | <b>137,453</b> | <b>131,929</b> | <b>156,237</b> | <b>152,897</b> | <b>148,618</b> | <b>126,210</b> | <b>120,780</b> |
| <b>United Airlines &amp; Affiliates</b>            |                |                |                |                |                |                |                |                |                |                |
| United Airlines                                    | -              | 61,228         | 54,428         | -              | -              | -              | -              | -              | -              | -              |
| Atlantic Southeast Airlines                        | -              | -              | -              | -              | -              | -              | -              | -              | 92,067         | 82,839         |
| Atlantic Coast Airlines                            | -              | -              | -              | 83,141         | 91,444         | 106,661        | 114,838        | 102,924        | -              | -              |
| Mesa   | -              | 11,111         | 8,907          | -              | -              | -              | -              | -              | -              | -              |
| Express Jet  | 73,045         | 72,339         | 79,195         | 83,141         | 91,444         | 106,661        | 114,838        | 102,924        | 92,067         | 82,839         |
| <b>Total United Airlines &amp; Affiliates</b>      | <b>73,045</b>  | <b>72,339</b>  | <b>79,195</b>  | <b>83,141</b>  | <b>91,444</b>  | <b>106,661</b> | <b>114,838</b> | <b>102,924</b> | <b>92,067</b>  | <b>82,839</b>  |
| <b>Continental Airlines &amp; Affiliates</b>       |                |                |                |                |                |                |                |                |                |                |
| Continental  | -              | -              | 475            | 36,452         | 39,154         | 42,702         | -              | -              | -              | -              |
| Express Jet  | 13,584         | 21,017         | -              | -              | -              | -              | -              | -              | -              | -              |
| Atlantic Southeast Airlines                        | -              | -              | -              | 2,423          | 13,456         | 7,067          | -              | -              | -              | -              |
| Chautauqua   | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Continental Express                                | -              | -              | 22,779         | -              | -              | -              | 60,117         | 49,427         | 41,317         | 39,097         |
| <b>Total Continental Airlines &amp; Affiliates</b> | <b>13,584</b>  | <b>21,017</b>  | <b>23,254</b>  | <b>38,875</b>  | <b>52,610</b>  | <b>49,769</b>  | <b>60,117</b>  | <b>49,427</b>  | <b>41,317</b>  | <b>39,097</b>  |
| <b>American Eagle</b>                              | <b>39,847</b>  | <b>40,476</b>  | <b>40,713</b>  | <b>40,570</b>  | <b>38,808</b>  | <b>40,627</b>  | <b>42,480</b>  | <b>6,992</b>   | <b>-</b>       | <b>-</b>       |
| Independence Air                                   | -              | -              | -              | -              | -              | -              | 578            | 72,248         | 46,547         | -              |
| Northwest  | -              | -              | 2,088          | 27,500         | 49,194         | 48,912         | 44,004         | 37,483         | 29,418         | 5,158          |
| Allegiant Air                                      | 1,127          | 1,032          | -              | 10,045         | -              | 1,088          | 789            | -              | -              | -              |
| Spirit Airlines                                    | -              | -              | -              | 2,260          | 15,447         | -              | -              | -              | -              | -              |
| Vision   | 1,233          | 2,260          | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Total passenger enplanements</b>                | <b>501,806</b> | <b>491,921</b> | <b>492,598</b> | <b>520,362</b> | <b>568,520</b> | <b>613,233</b> | <b>642,848</b> | <b>732,625</b> | <b>634,105</b> | <b>509,082</b> |

Source: Richland-Lexington Airport District

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE REVENUE PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

|  | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Airfield landing fees                            | \$ 3,268,845 | \$ 3,370,969 | \$ 3,642,910 | \$ 2,167,511 | \$ 2,612,124 | \$ 2,531,524 | \$ 2,116,514 | \$ 2,240,932 | \$ 2,161,684 | \$ 1,690,793 |
| Less: Cargo landing fees                         | (1,210,960)  | (1,265,591)  | (1,388,546)  | (954,498)    | (1,301,172)  | (1,208,494)  | (991,571)    | (973,581)    | (949,336)    | (809,274)    |
| Passenger airline landing                        | 2,057,885    | 2,105,378    | 2,254,364    | 1,213,013    | 1,310,952    | 1,323,030    | 1,124,943    | 1,267,351    | 1,212,348    | 881,519      |
| Terminal rentals                                 | 3,193,173    | 3,224,603    | 3,646,964    | 3,021,039    | 2,888,848    | 3,597,581    | 2,864,561    | 2,979,561    | 2,709,191    | 2,437,026    |
| Signatory passenger airline (rebate) / surcharge | 742,251      | (870,260)    | (19,104)     | -            | 113,834      | 60,889       | (12,350)     | (1,064,459)  | (285,731)    | 517,116      |
| Total  | \$ 5,993,309 | \$ 4,459,721 | \$ 5,882,224 | \$ 4,234,052 | \$ 4,313,634 | \$ 4,981,500 | \$ 3,977,154 | \$ 3,182,453 | \$ 3,635,808 | \$ 3,835,661 |
| Enplaned passengers                              | 501,806      | 491,921      | 492,598      | 519,374      | 568,520      | 613,233      | 642,848      | 732,625      | 634,105      | 509,082      |
| Airline revenue per enplaned passenger           | \$ 11.94     | \$ 9.07      | \$ 11.94     | \$ 8.15      | \$ 7.59      | \$ 8.12      | \$ 6.19      | \$ 4.34      | \$ 5.73      | \$ 7.53      |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

CONCESSION REVENUES PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

| Category                                      | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Rental Car Counter Rentals<br>and Concessions | \$ 2,031,203 | \$ 2,001,403 | \$ 1,970,132 | \$ 1,986,126 | \$ 2,168,693 | \$ 2,222,915 | \$ 2,225,201 | \$ 2,106,598 | \$ 1,903,511 | \$ 1,790,195 |
| Restaurant and Gift Shop                      | 426,591      | 397,831      | 402,447      | 430,993      | 483,815      | 482,244      | 439,995      | 466,738      | 412,854      | 327,897      |
| Other   | 81,735       | 80,969       | 83,703       | 81,841       | 72,838       | 71,933       | 73,754       | 74,287       | 61,894       | 61,740       |
| Total   | 2,539,529    | 2,480,203    | 2,456,282    | 2,498,960    | 2,725,346    | 2,777,092    | 2,738,950    | 2,647,623    | 2,378,259    | 2,179,831    |
| Enplaned Passengers                           | 501,806      | 491,921      | 492,598      | 520,362      | 568,520      | 613,233      | 642,848      | 732,625      | 634,105      | 509,082      |
| Concession Revenue per<br>Enplaned Passenger  | \$ 5.06      | \$ 5.04      | \$ 4.99      | \$ 4.80      | \$ 4.79      | \$ 4.53      | \$ 4.26      | \$ 3.61      | \$ 3.75      | \$ 4.28      |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

OPERATING EXPENSES (BEFORE DEPRECIATION) PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

|   | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total operating expenses  | \$ 19,414,812 | \$ 18,914,348 | \$ 20,631,255 | \$ 20,480,774 | \$ 20,747,774 | \$ 19,772,681 | \$ 19,106,539 | \$ 17,834,240 | \$ 17,542,161 | \$ 16,070,269 |
| Less, depreciation  | (8,591,418)   | (8,698,300)   | (8,562,304)   | (8,532,884)   | (8,152,567)   | (7,774,984)   | (7,788,237)   | (7,140,091)   | (7,533,824)   | (6,447,352)   |
| Total operating expenses before depreciation                    | 10,823,394    | 10,216,048    | 12,068,951    | 11,947,890    | \$12,595,207  | \$11,997,697  | \$11,318,302  | \$10,694,149  | \$10,008,337  | \$9,622,917   |
| Enplaned passengers   | 501,806       | 491,921       | 492,598       | 519,374       | 568,520       | 613,233       | 642,848       | 732,625       | 634,105       | 509,082       |
| Operating expense (before depreciation) per enplaned passengers | \$ 21.57      | \$ 20.77      | \$ 24.50      | \$ 22.97      | \$ 22.15      | \$ 19.56      | \$ 17.61      | \$ 14.60      | \$ 15.78      | \$ 18.90      |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF DEBT SERVICE COVERAGE

LAST TEN FISCAL YEARS

| Year | Gross Revenue | Net Revenue  | Other Available Funds | Series Security | Net Revenue Available For Debt Service | Annual Debt Service Requirement | Coverage |
|------|---------------|--------------|-----------------------|-----------------|--|---------------------------------|----------|
| 2012 | \$ 25,201,416 | \$ 7,464,402 | \$ 1,000,000          | \$ 1,939,983    | \$ 10,404,385                          | \$ 6,180,754                    | 1.68     |
| 2011 | 22,378,820    | 6,560,834    | 2,000,000             | 1,905,561       | 10,466,395                             | 6,204,210                       | 1.69     |
| 2010 | 32,306,923    | 4,940,086    | 3,000,000             | 1,915,574       | 9,855,660                              | 6,446,065                       | 1.53     |
| 2009 | 22,191,711    | 4,528,262    | 4,000,000             | 2,065,765       | 10,594,027                             | 7,220,756                       | 1.47     |
| 2008 | 32,098,425    | 5,141,685    | 3,000,000             | 2,285,543       | 10,427,228                             | 7,287,914                       | 1.43     |
| 2007 | 27,894,825    | 6,532,548    | 3,000,000             | 2,491,711       | 12,024,259                             | 7,372,872                       | 1.63     |
| 2006 | 27,870,500    | 5,545,013    | 3,000,000             | 2,238,970       | 10,783,983                             | 6,480,922                       | 1.66     |
| 2005 | 25,663,485    | 5,100,973    | 2,000,000             | 2,096,362       | 9,197,335                              | 6,185,682                       | 1.49     |
| 2004 | 22,940,764    | 5,845,677    | 2,000,000             | 2,131,132       | 9,976,809                              | 7,149,187                       | 1.40     |
| 2003 | 19,627,866    | 4,438,407    | —                     | 2,045,211       | 6,483,618                              | 5,150,294                       | 1.26     |

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

|   | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          | 2003          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Market Share  | Market Share  | Market Share  | Market Share  | Market Share  | Market Share  | Market Share  | Market Share  | Market Share  | Market Share  | Market Share  |
| <b>Delta Air Lines &amp; Affiliates</b>       |               |               |               |               |               |               |               |               |               |               |               |
| Delta Air Lines                               | 1,011         | 653           | 325           | 231           | 539           | 669           | 910           | 1,046         | 1,376         | 1,201         | 5.28%         |
| Atlantic Coast Airlines                       | -             | -             | -             | -             | -             | -             | -             | -             | 1,246         | 1,492         | 6.56%         |
| Atlantic Southeast Airlines                   | 2,087         | 2,932         | 3,534         | 3,707         | 3,232         | 3,248         | 3,210         | 3,131         | 2,957         | 2,785         | 12.24%        |
| Chautauqua                                    | 522           | 362           | 245           | 55            | 47            | -             | 321           | 273           | 453           | -             | 0.00%         |
| Comair  | 3             | 55            | 287           | 172           | 257           | 166           | 254           | 3,018         | 2,663         | 2,005         | 8.81%         |
| Shuttle America                               | 1             | -             | 1             | 14            | 78            | -             | -             | -             | -             | -             | 0.00%         |
| Mesa/Freedom                                  | -             | -             | 94            | 262           | 233           | 618           | -             | -             | -             | -             | 0.00%         |
| Pinnacle                                      | 414           | 256           | 269           | 22            | -             | -             | -             | -             | -             | -             | 0.00%         |
| <b>Total Delta Air Lines &amp; Affiliates</b> | <b>4,038</b>  | <b>4,258</b>  | <b>4,775</b>  | <b>4,463</b>  | <b>4,386</b>  | <b>4,701</b>  | <b>4,695</b>  | <b>7,468</b>  | <b>8,695</b>  | <b>7,483</b>  | <b>32.88%</b> |
| <b>US Airways &amp; Affiliates</b>            |               |               |               |               |               |               |               |               |               |               |               |
| Piedmont                                      | 435           | 357           | 340           | 860           | 1,147         | 742           | 497           | 429           | 762           | 1,898         | 8.34%         |
| Chautauqua                                    | 843           | 1,432         | 1,005         | 319           | 342           | 305           | -             | -             | -             | -             | 0.00%         |
| PSA   | 360           | 602           | 558           | 1,422         | 1,897         | 2,379         | 1,952         | -             | 194           | 1,322         | 5.81%         |
| Mesa  | 3             | 6             | 8             | 4             | 11            | 3             | 986           | 3,940         | 3,607         | 2,941         | 12.92%        |
| Air Wisconsin                                 | 2,739         | 2,064         | 2,415         | 1,781         | 1,378         | 1,062         | 820           | 161           | -             | -             | 0.00%         |
| Republic                                      | 12            | 14            | 6             | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| <b>Total US Airways &amp; Affiliates</b>      | <b>4,392</b>  | <b>4,475</b>  | <b>4,332</b>  | <b>4,386</b>  | <b>4,775</b>  | <b>4,491</b>  | <b>4,255</b>  | <b>4,530</b>  | <b>4,563</b>  | <b>6,161</b>  | <b>27.07%</b> |
| <b>United Airlines &amp; Affiliates</b>       |               |               |               |               |               |               |               |               |               |               |               |
| United  | -             | -             | -             | -             | -             | -             | 2,939         | 2,508         | 2,635         | -             | 0.00%         |
| Atlantic Coast Airlines                       | -             | -             | -             | -             | -             | -             | -             | -             | -             | 2,661         | 11.69%        |
| Atlantic Southeast Airlines                   | -             | 1,897         | 1,705         | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| Mesa  | -             | 4             | 506           | 2,708         | 2,919         | 2,988         | 493           | -             | -             | -             | 0.00%         |
| Express Jet                                   | 2,136         | 306           | 238           | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| <b>Total United Airlines &amp; Affiliates</b> | <b>2,136</b>  | <b>2,207</b>  | <b>2,449</b>  | <b>2,708</b>  | <b>2,919</b>  | <b>2,988</b>  | <b>3,432</b>  | <b>2,508</b>  | <b>2,635</b>  | <b>2,661</b>  | <b>11.69%</b> |
| <b>Continental</b>                            |               |               |               |               |               |               |               |               |               |               |               |
| Continental                                   | -             | -             | 5             | 950           | 798           | 934           | 1,731         | 1,456         | 1,306         | 1,349         | 5.93%         |
| Express Jet                                   | 399           | 402           | -             | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| Atlantic Southeast Airlines                   | -             | 95            | -             | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| Chautauqua                                    | -             | -             | -             | 173           | 752           | 424           | -             | -             | -             | -             | 0.00%         |
| Continental Express                           | -             | 55            | 657           | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| <b>Total Continental</b>                      | <b>399</b>    | <b>552</b>    | <b>662</b>    | <b>1,123</b>  | <b>1,550</b>  | <b>1,358</b>  | <b>1,731</b>  | <b>1,456</b>  | <b>1,306</b>  | <b>1,349</b>  | <b>5.93%</b>  |
| <b>American Eagle</b>                         |               |               |               |               |               |               |               |               |               |               |               |
| American Eagle                                | 1,041         | 1,056         | 1,083         | 1,084         | 1,148         | 1,076         | 1,177         | 186           | -             | -             | 0.00%         |
| <b>Northwest</b>                              |               |               |               |               |               |               |               |               |               |               |               |
| Northwest                                     | -             | -             | 91            | 896           | 1,390         | 1,374         | 1,396         | 1,132         | 958           | 165           | 0.72%         |
| Allegiant Air                                 | 21            | 4             | -             | 110           | -             | 18            | 8             | -             | -             | -             | 0.00%         |
| Independence Air                              | -             | -             | -             | -             | -             | -             | -             | 2,282         | 1,589         | -             | 0.00%         |
| Spirit  | -             | -             | -             | 25            | 158           | -             | -             | -             | -             | -             | 0.00%         |
| Vision Air                                    | 16            | 36            | -             | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| CC Air (3)                                    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | 0.00%         |
| <b>Subtotal</b>                               | <b>12,043</b> | <b>12,588</b> | <b>13,392</b> | <b>14,795</b> | <b>16,326</b> | <b>16,006</b> | <b>16,694</b> | <b>19,562</b> | <b>19,746</b> | <b>17,819</b> | <b>78.29%</b> |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE OPERATION DATA (LANDING & TAKEOFFS)

LAST TEN FISCAL YEARS

|                       | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003         |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                       | Market Share | Market Share | Market Share | Market Share | Market Share | Market Share | Market Share | Market Share | Market Share | Market Share |
| Cargo Airlines        | -            | -            | -            | 11           | 511          | 507          | 509          | 420          | 521          | 510          |
| Airborne Express      | 602          | 477          | -            | -            | -            | -            | -            | -            | -            | -            |
| Air Cargo Carriers    | 34           | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Ameriflight           | -            | -            | -            | -            | 8            | 77           | 246          | 396          | 565          | 646          |
| Bankair               | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Emery Worldwide       | 372          | 477          | 460          | 433          | 362          | 471          | 473          | 480          | 303          | 296          |
| Federal Express       | 584          | 722          | -            | -            | -            | -            | -            | -            | -            | -            |
| Martinaire            | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Mid-Atlantic Freight  | 258          | 262          | 328          | 287          | 459          | 766          | 873          | 883          | 844          | 792          |
| Mountain Air          | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Northstar Air Cargo   | 948          | 957          | 1,094        | 1,611        | 2,680        | 2,594        | 2,595        | 2,611        | 2,969        | 2,698        |
| United Parcel Service | 125          | 246          | -            | -            | -            | -            | -            | -            | -            | -            |
| Wiggins Airways       | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Subtotal              | 2,923        | 3,141        | 1,882        | 2,342        | 4,020        | 4,415        | 4,696        | 4,790        | 5,204        | 4,942        |
| Totals                | 14,966       | 15,729       | 15,274       | 17,137       | 20,346       | 20,421       | 21,390       | 24,352       | 24,950       | 22,761       |
|                       | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      |

(1) db/a United Express

(2) db/a Delta Connection

(3) db/a US Airways Express

Source: Richland-Lexington Airport District

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF INSURANCE IN FORCE

| Type of Coverage                 | Insurer                               | Coverage Amount                              | Expiration Date |
|----------------------------------|---------------------------------------|--|-----------------|
| Worker's Compensation            | South Carolina Accident Fund          | Actual                                       | 2/17/13         |
| Auto Comprehensive and Collision | South Carolina Insurance Reserve Fund | \$ 1,000,000                                 | 2/17/13         |
| Data Processing                  | South Carolina Insurance Reserve Fund | \$ 500,000                                   | 2/17/13         |
| Building and Personal Property   | South Carolina Insurance Reserve Fund | \$ 94,328,780                                | 2/17/13         |
| Auto Liability                   | South Carolina Insurance Reserve Fund | \$ 1,000,000                                 | 2/17/13         |
| Inland Marine                    | South Carolina Insurance Reserve Fund | \$ 872,060                                   | 2/17/13         |
| General Tort Liability           | South Carolina Insurance Reserve Fund | \$ 1,000,000                                 | 2/17/13         |
| Medical Professional Liability   | SC Insurance Reserve Fund             | \$300K/\$600K Per Occurrence<br>No Aggregate | 2/17/13         |
| Director/Officer                 | Illinois National Insurance Company   | \$ 1,000,000                                 | 8/1/13          |
| Employee Dishonesty              | Travelers Insurance Company           | \$ 500,000                                   | 7/14/14         |
| Airport Liability Insurance      | Global Aerospace, Inc.                | \$ 150,000,000<br>(General Limit)            | 8/16/14         |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

MAJOR EMPLOYERS IN THE AIR SERVICE AREA

DECEMBER 31, 2012

| <b><u>Employer</u></b>           | <b><u>Number of<br/>Employees</u></b> | <b><u>Major Product/Service</u></b> |
|----------------------------------|---------------------------------------|-------------------------------------|
| Palmetto Health Alliance         | 9,000                                 | Healthcare                          |
| Blue Cross & Blue Shield of S.C. | 6,459                                 | Insurance                           |
| University of South Carolina     | 8,717                                 | Education                           |
| Husqvarna Outdoor Products       | 1,750                                 | Manufacturing                       |
| Kraft Foods                      | 2,800                                 | Manufacturing                       |
| Lexington Medical Center         | 4,736                                 | Healthcare                          |
| SCANA                            | 1,973                                 | Utilities                           |
| AT&T                             | 2,400                                 | Communication                       |
| Providence Hospitals             | 2,075                                 | Healthcare                          |
| Amick Farms                      | 1,700                                 | Poultry                             |
| Totals                           | <u>41,610</u>                         |                                     |

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

DEMOGRAPHIC STATISTICS

DECEMBER 31, 2012

|   | <u>Air Service<br/>Area</u> | <u>South Carolina</u> | <u>United States</u> |
|---|-----------------------------|-----------------------|----------------------|
| Population                              | 1,074,860                   | 4,723,723             | 313,914,040          |
| Annual Compound Growth Rate (2012-2017) | 0.45%                       | 0.65%                 | 1.16%                |
| Projected Population (2017)             | 1,099,410                   | 4,878,950             | 331,833,000          |
| Unemployment Rate                       | 9.51%                       | 8.4%                  | 7.8%                 |
| Per Capita Income                       | \$ 30,938                   | \$ 34,266             | \$ 42,693            |

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

## SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2012

| <u>FEDERAL GRANTOR</u>                                     | <u>Federal CFDA</u> | <u>Program /<br/>Contract</u> | <u>Total<br/>Expenditures</u> |
|--|---------------------|-------------------------------|-------------------------------|
| <b>U.S. Department of Transportation</b>                   |                     |                               |                               |
| Airport Improvement Programs                               | 20.106              | 3-45-0018-36                  | \$ 643,414                    |
| Airport Improvement Programs                               | 20.106              | 3-45-0018-40                  | 1,546,626                     |
| Airport Improvement Programs                               | 20.106              | 3-45-0019-41                  | 1,135,360                     |
|  |                     |                               | <u>3,325,400</u>              |
| <b>U.S. Department of Homeland Security</b>                |                     |                               |                               |
| Law Enforcement Officer Reimbursement<br>Agreement Program | 97.09               | HSTS0208HSLR302               | <u>158,153</u>                |
| Total Expenditures of federal awards                       |                     |                               | <u>\$ 3,483,553</u>           |

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF PASSENGER FACILITY CHARGES (PFC's) AND EXPENSES

YEAR ENDED DECEMBER 31, 2012

| <b>FEDERAL GRANTOR</b>                   | <b>Award<br/>Number</b> | <b>Beginning<br/>Balance</b> | <b>Receipts<br/>and<br/>Interest</b> | <b>Expenses</b> | <b>Ending<br/>Balance</b> |
|--|-------------------------|------------------------------|--------------------------------------|-----------------|---------------------------|
| <b>U.S. Department of Transportation</b> |                         |                              |                                      |                 |                           |
| <b>Federal Aviation Administration:</b>  |                         |                              |                                      |                 |                           |
| Passenger Facility Charge Program        | 93-01-C-02-CAE          | \$ 1,886,696                 | \$ 1,940,223                         | \$ (1,811,523)  | \$ 2,015,396              |



RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA  
NOTES TO FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2012

**1. Basis of Presentation**

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

The financial activity shown in the Schedule of Expenditure of Federal Awards reflects amounts recorded by the District during its fiscal year January 1, 2012 through December 31, 2012.

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

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

The financial activity shown in the Schedule of Passenger Facility Charges (PFC's) and Expenses reflects amounts recorded by the District during its fiscal year January 1, 2012 through December 31, 2012.

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**

**Independent Auditor's Report**

Board of Commissioners  
Richland-Lexington Airport District, South Carolina

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Richland-Lexington Airport District, South Carolina (the "District"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 13, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Scott and Company LLC*

Columbia, South Carolina  
May 13, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE**

**Independent Auditor's Report**

Board of Commissioners  
Richland-Lexington Airport District, South Carolina

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

We have audited Richland-Lexington Airport District, South Carolina, (the "District")'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2012. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our 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 its major federal program for the year ended December 31, 2012.

### **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 our audit of compliance, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we 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.

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

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

*Scott and Company LLC*

Columbia, South Carolina  
May 13, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE PASSENGER FACILITIES CHARGE PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE**

**Independent Auditor's Report**

Board of Commissioners  
Richland-Lexington Airport District, South Carolina

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

We have audited Richland-Lexington Airport District, South Carolina (the "District")'s compliance with the 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, 2012.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we 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 as we considered necessary in the circumstances.

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

### ***Opinion on Passenger Facilities Charge Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to its passenger facilities charge program for the year ended December 31, 2012.

### **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 our audit of compliance, we 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 our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

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

*Scott and Company LLC*

Columbia, South Carolina  
May 13, 2013



Richland-Lexington Airport District,  
South Carolina  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2012

**Section I - Summary of Auditor's Results**

**Financial Statements:**

We have issued an unmodified opinion dated May 13, 2013 on the financial statements of the District.

Internal control over financial reporting:

- Material weaknesses identified? NO
- Significant deficiencies identified that are not considered  
to be material weaknesses? NO
- Non-compliance material to financial statements noted? NO

**Federal Awards:**

We have issued an unmodified opinion dated May 13, 2013 on the District's compliance for its major program.

Internal control over major program:

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

**Identification of Major Program:**

CFDA Number  
20.106

Program  
Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? YES

**Section II—Financial Statement Findings**

None Noted

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

None Noted

**Prior Year Audit Comments**

There were no findings in the prior year audit.