BILL AND HILLARY
CLINTON
NATIONAL AIRPORT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

LITTLE ROCK MUNICIPAL AIRPORT COMMISSION

A COMPONENT UNIT OF THE CITY OF LITTLE ROCK, ARKANSAS

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A COMPONENT UNIT OF THE CITY OF LITTLE ROCK, ARKANSAS

FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2015 AND 2014

Prepared by:

Bill and Hillary Clinton National Airport Finance Department

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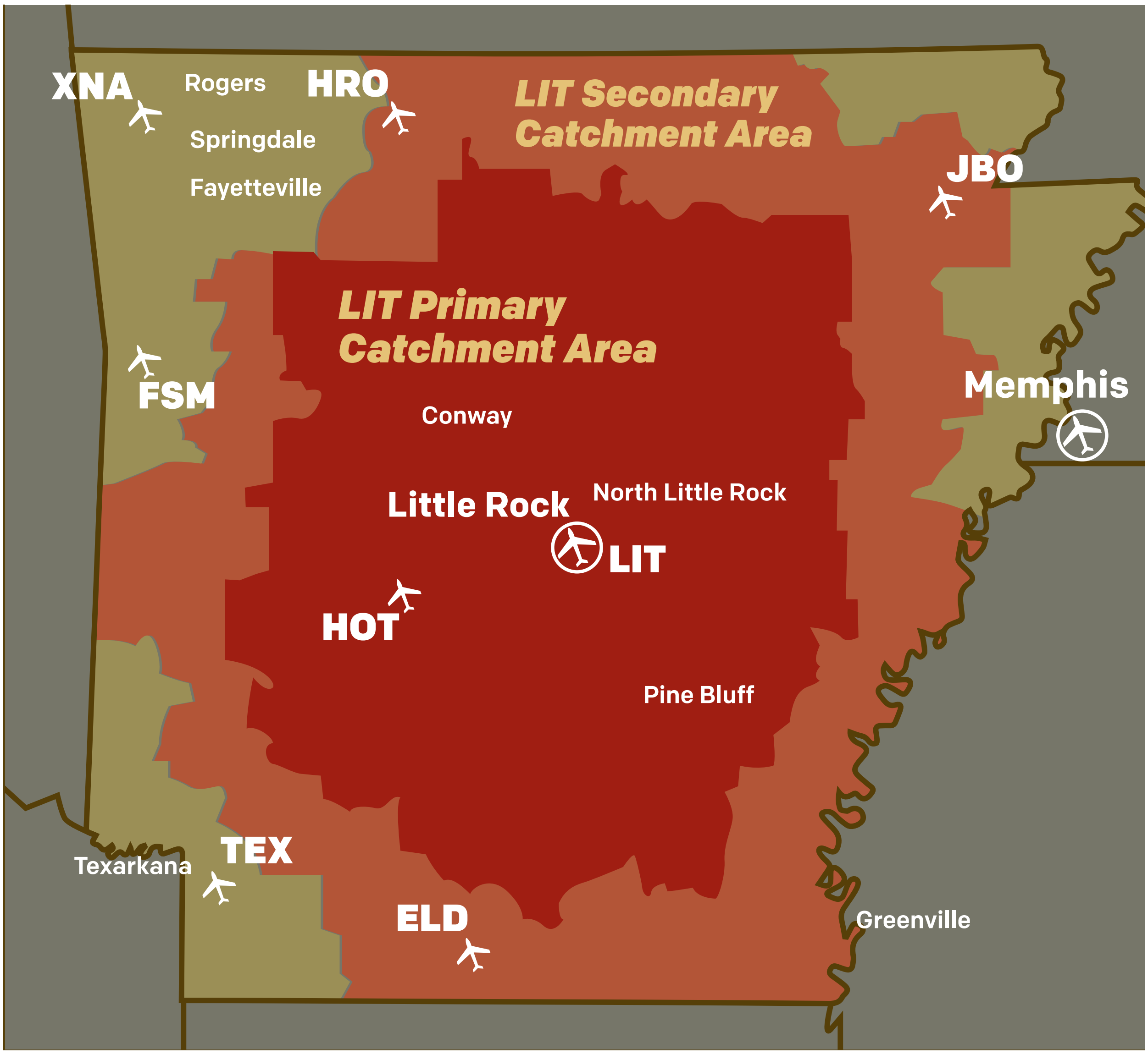

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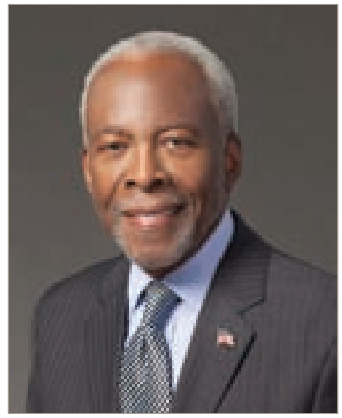

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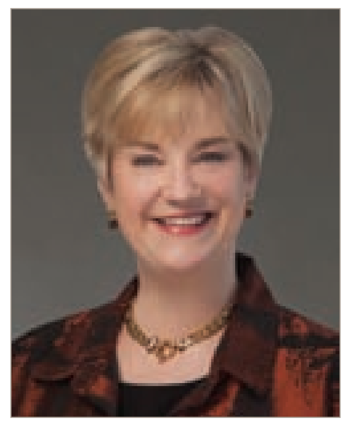

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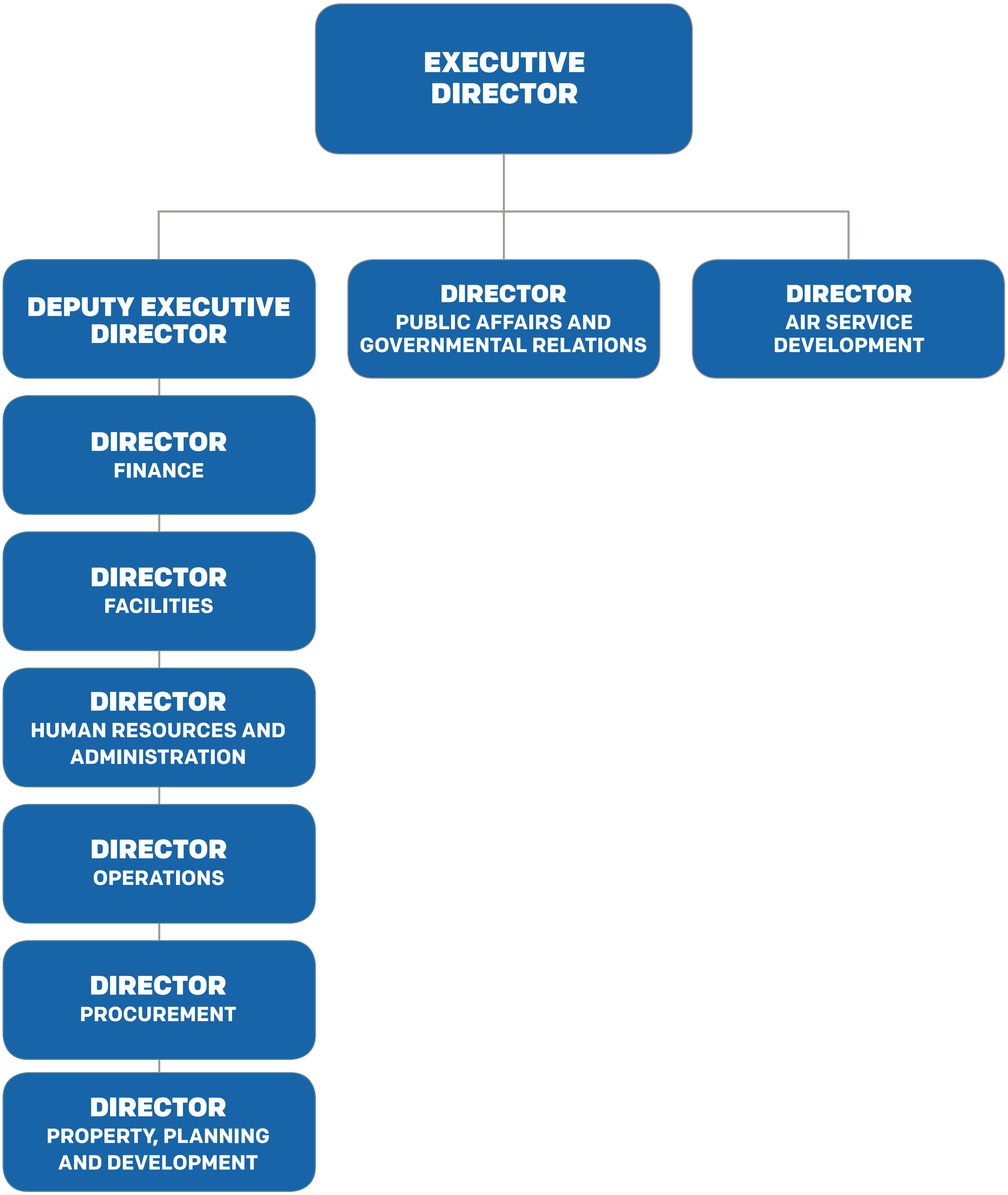
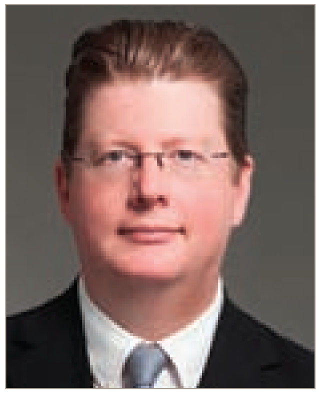
ORGANIZATIONAL STRUCTURE



CLINTON NATIONAL AIRPORT EXECUTIVE LEADERSHIP

RONALD F. MATHIEU, CM
Executive Director,
11 Years Service



BRYAN MALINSOWSKI, CM
Deputy Executive Director,
9 Years Service

SHANE CARTER
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10 Years Service

CHARLES JONES, CM
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10 Years Service

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Director – Procurement
17 Years Service

DAVID TIPTON, CPA, CFA, CM
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5 Years Service

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Director – Human Resources and Administration, 12 Years Service

TJ WILLIAMS
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16 Years Service

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BILL AND HILLARY CLINTON NATIONAL AIRPORT LITTLE ROCK

Ronald F. Mathieu, C.M.
Executive Director

Bryan K. Malinowski, C.M.
Deputy Executive Director

June 1, 2016

Little Rock Municipal Airport Commission
Little Rock, Arkansas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Bill and Hillary Clinton National Airport (Airport or LIT), for the fiscal years ended December 31, 2015 and 2014. The CAFR, which was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), contains financial statements and statistical data that fully disclose all material financial operations of the Airport. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Airport management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the Airport. All disclosures necessary to enable the reader to gain an understanding of the Airport's financial activities have been included.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The Airport's MD&A can be found on Pages 31 through 49 of this report.

PROFILE OF THE GOVERNMENT

The Airport operates as a self-sustaining component unit of the City of Little Rock, Arkansas. The Little Rock Municipal Airport Commission (Commission) was created by referendum in 1951. The Commission consists of seven members who are appointed by the City of Little Rock Board of Directors in accordance with state law. They are empowered to do all things necessary to manage, operate, improve, extend, and maintain the Airport, related properties and facilities, and to adopt such rules and regulations as deemed necessary. On May 3, 2013, the Commission officially changed the name of the Airport from the Little Rock National Airport to the Bill and Hillary Clinton National Airport.

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As an enterprise fund, the operation of the Airport depends on revenues received from airlines and other tenants serving the Airport. The airlines operate by permit under rates established by resolution and based on an airfield residual and terminal compensatory rate-setting methodology. The FAA regulates how airports set airline rates and charges and determine aeronautical revenues. The terminal rate to the airlines is based on cost and space used by the airline. LIT's rate structure arrangement allows the Airport to retain revenues received from other airport tenants and concessions and effectively manage capital assets in a way that (1) promotes a self-sustaining financial structure, and (2) provides a solid foundation for growing and improving the Airport infrastructure.

Airport Facilities

The Bill and Hillary Clinton National Airport is the largest commercial airport in the state. LIT's primary air service area comprises four counties in the Little Rock area and attracts passengers from 62 counties statewide as well as passengers from neighboring states. It occupies over 2,000 acres of land, has two parallel commercial service runways and a third runway used primarily for general aviation operations. The airport site, known originally as Adams Field first opened in 1917 as the Little Rock Intermediate Air Depot, operated by the U.S. Army Signal Corps. Commercial airline services started in 1930, and the present terminal was originally constructed in 1972. The Federal Aviation Administration (FAA) classifies the Airport as a small air traffic hub. During fiscal year 2015, the Airport accommodated approximately two million commercial passengers.

Commercial service airlines currently operate from 12 gates and a recently expanded ticket lobby. The Airport offers a variety of automobile parking options at various price points. Covered parking is available for hourly or daily customers in a three-story parking garage containing 851 parking spaces, which is conveniently attached via an enclosed, air-conditioned pedestrian bridge to the terminal. Surface parking is available for hourly customers using the terminal. Economy parking is also available with complimentary shuttle bus service to the terminal.

Rental cars are available from each of the major national rental car companies operating in the consolidated rental car area located on the first floor of the parking garage. General aviation customers are provided aircraft tie-down, hangar storage, fueling and associated services by TAC Air and Fly Arkansas, both full-service, fixed-base operators located on the west side of the airfield.

Economic Condition and Outlook

Economic activity in the Little Rock region is directly linked to the production of goods and services in the rest of the United States. Airline travel and the movement of air cargo through LIT is directly related to the economic performance of the U.S., Arkansas, and the Little Rock metropolitan area economies.

Population

Central Arkansas, also known as the Little Rock Metro (Metro) and designated by the United States Office of Management and Budget as the Little Rock-North Little Rock-Conway Metropolitan Statistical Area (MSA), is the most populous metro area in the state of Arkansas and the 66th-largest metropolitan statistical area in the United States. As presented in the tables on Page 68, the population for the Metro was 729,135 in 2015, according to the U.S. Department of Commerce, Bureau of Economic Analysis, and was concentrated primarily in Pulaski and Faulkner Counties. This represents a one percent increase compared to 724,385 in 2014.

The Little Rock Metro per capita personal income at January 1, 2015 ($40,925) was higher than the state average ($37,782) but lower than the national average ($46,049). As presented on Page 69 of this report, the pattern of per capita income growth in the Metro has generally mirrored the pattern of growth within the state, albeit at a slightly lower level, over the past decade.

Unemployment Rate

During 2015, the State of Arkansas and the Little Rock Metro showed substantial reductions in the unemployment rate. For the Metro, the unemployment rate at January 1, 2015, was 5.5 percent compared to a national unemployment rate of 6.2 percent. At the end of fiscal year 2015, non-farm job increases were present in nearly all sectors of the economy and particularly prominent in goods-producing sectors: Manufacturing and Construction. The Arkansas Realtors Association reports that the median sale price of existing homes in Pulaski County was $185,179 for 2015, which represents a .77 percent increase from the previous year.

Major Employers

The following table lists the top 10 private sector employers in Pulaski County. Included are four providers of medical services—Baptist Health, Central Arkansas Veteran's Healthcare System, CHI St. Vincent Health System, and Arkansas Children's Hospital. Many of the companies listed are involved in national and international operations which rely on airline travel.

Company	Number of Employees
Baptist Health	5360
Arkansas Children's Hospital	4000
Central Arkansas Veterans Health Care System	2800
Entergy Arkansas	2740
AT&T	2600
CHI St. Vincent	2600
Verizon Wireless	2500
Dillard's Inc.	2400
Union Pacific Railroad	2000
Dassault Falcon Jet Corp.	2000

Tourism and Local Activities

Visitors are attracted to the Metro by the State Capitol, the Clinton Presidential Center, and other historical attractions, as well as the natural amenities, recreational activities, sporting events and cultural attractions in the area. According to the Little Rock Convention and Visitor's Bureau statistics, direct travel spending in the Little Rock Metro area totaled $1.8 billion in 2015.

Business Growth

In 2006, the Little Rock Municipal Airport Commission created a task force to study the economic impact of the growing aerospace, aviation, and defense industries on the local economy. In 2012, the Arkansas Aerospace and Defense Alliance was organized into a group of public and private aerospace companies, government agencies, and educational institutions dedicated to growing the aerospace, aviation, and defense infrastructure in Arkansas.

Today, approximately 180 aviation and aerospace-related companies produce more than $2.4 billion of goods and services per year, making aviation Arkansas' number one export. That is the equivalent of 2.2% of the Gross Domestic Product for the State of Arkansas for 2015. As reflected on page 10 of this report, Dassault Falcon Jet, an airport tenant, is a major contributor to the economic growth of the Metro.

Air Service

An integral component of a region's economic growth is the availability of accessible, affordable, and convenient air transportation service. The Airport, as the chief point of entry for many of Little Rock's business, government, and leisure travelers, as well as some air cargo shipments, is well suited to meet these demands for economic activity. The Airport, which is centrally located in the state, is approximately three hours from the furthest border and is the true gateway for economic development.

The Aviation Industry

Revenue generated at the Airport depends, in large part, upon the financial health of the aviation industry. In recent years, the economic condition of the commercial service industry has undergone significant changes, including mergers, acquisitions, and bankruptcies. Further, the industry remains sensitive to a variety of other factors, including (a) the cost and availability of fuel, aircraft, and insurance, (b) currency values, (c) competitive considerations, including airline ticket pricing, (d) traffic and capacity constraints, (e) governmental regulations, including security, taxes, and environmental requirements, (f) labor actions such as strikes and other union activities, and (g) disruptions due to airline incidents, criminal incidents, and acts of war or terrorism. However, despite these challenges, Airlines for America (A4A), the industry trade organization for the leading U.S. airlines, projects spring 2016 air travel to rise to the highest level ever with passenger volumes exceeding 2015's peak by 3 percent.

Another trend reflects the airline industry's decision to remove and/or retire regional jets (RJs) from the air carrier fleet due to the high fuel cost per passenger of using the RJs. However, smaller markets such as LIT have been impacted due to the difficulty of filling the larger aircraft. Passenger yields, associated with filling the aircraft with passengers, are necessary in order to retain the service at the Airport.

Airport Passenger Traffic

Passenger traffic at the Airport is affected by Little Rock Metro's economic profile. For example, the amount and type of commerce in the region may affect the level of business travel to and from Little Rock; or the amount of per capita personal income in the Little Rock Metro area may affect the level of discretionary travel from the Airport. The Little Rock Metro Area is among many metro areas across the nation still recovering from the 2009 economic downturn. Approximately two million total passengers (enplaning and deplaning) chose the Airport during fiscal year 2015, reflecting a 4.29 percent decline from the prior year.

In addition, consolidation in the airline industry has allowed air carriers to reduce excess capacity in order to achieve higher load factors (passengers per aircraft), charge higher fares, and realize sustained profitability. Over recent years, the consolidations have limited competition amongst air carriers. At the end of 2015, only three major legacy carriers remain: American, United, and Delta. Together with Southwest, these four airlines dominate the U.S. market. Other smaller carriers, such as Alaska, Jet Blue, Frontier and Virgin America have begun to terminate operations in small-hub airports, such as LIT, to compete in more profitable large-hub markets.

To further complicate the impacts mentioned above, the Wright Amendment, which originally governed Southwest Airlines traffic at Dallas Love Field and restricted non-stop flights from the Airport to destinations only in Texas and neighboring states expired on October 13, 2014. As a result, Southwest reduced the frequency of flights to and from LIT in November 2014. The reduction in flights evidences a new strategy of the airlines in moving away from small- and medium-hub airports to more profitable large-hub and international routes.

As reflected in the declining enplanements, the 2009 economic recession combined with reduced discretionary income and increased airfares continues to impact air travel demand in the region. Reductions in overall seat capacity at the Airport are evidenced in flight schedules filed by the airlines with the Official Airline Guide. As of December 2015, the Airport was served by six scheduled passenger airlines and schelduled charters, which provided an average of 42.4 daily scheduled aircraft departures. The Airport is also served by one all-cargo airline.

Major Initiatives and Development

The Commission's overall mission is to operate and develop first class, customer friendly, safe and secure airport facilities that serve as a gateway to the world from the Little Rock region. In order to fulfill this mission, LIT is committed to ensure ongoing and enhanced safety, security, and efficiency in the design and operation of the Airport; modernizing aeronautical facilities to improve passenger access; and investing to modernize airfields to meet federal regulatory requirements that will safely and efficiently accommodate the aircraft of today and the foreseeable future.

Construction in Progress

Each year, Airport staff prepares a five-year Capital Improvement Plan (CIP). The CIP is reevaluated and modified as necessary to accommodate traffic activity, security needs, and other needs that could result in additions to or subtractions from the CIP, or changes in the timing of individual projects. Significant capital improvements undertaken during fiscal year 2015 included:

Concourse Renovation Program

This on going $20.6 million project includes upgrades to public restrooms, building finishes, lighting, way finding signage, gate lounge seating, roofing, communications systems, millwork, and a lightning protection system. The program also includes the addition of new restroom facilities located adjacent to Gate 5, which were completed and opened in July 2015. Other work includes new passenger boarding bridges for Gates 1, 3, 5, 7 and 8, mechanical system improvements, and associated site work.

West Airfield Drainage Improvements (Phase I)

This ongoing project provides airfield drainage improvements in the area of the west airfield bounded by Runway 18-36, Taxiway P and the service road south of Runway 4L-22R. The scope of the work consists of removal and replacement of approximately 7,800 linear feet of pipe and drainage structures that have exceeded their useful life. Replacing them with new construction will eliminate sink holes in the aircraft operating area and enhance safety.

Parking Access and Revenue Control System (PARCS)

This project replaces the existing 15 year old Parking Access and Revenue Control System (PARCS) with a new state-of-the-art PARCS while reusing as much of the existing infrastructure and serviceable PARCS components as possible. New features and technology, including License Plate Recognition and a Parking Guidance System, have been implemented to increase revenue security while enhancing the customers' experience.

Rehabilitation of Taxiways Alpha and Bravo

Both Taxiways Alpha and Bravo are primary taxi routes for commercial and cargo aircraft to get to the heavy parking ramps on the west side of the airfield. This project will replace the existing asphalt pavement with stronger Portland cement concrete designed for the heavier loads.

Runway 4R Safety Area Improvements

The project includes demolition and removal of the existing Engineered Materials Arresting System (EMAS) located off the end of Runway 4R which is past its useful life and generates Foreign Object Debris (FOD) when exposed to jet blast. The demolition and removal will also include the existing asphalt support pavement and an asphalt blast pad at the end of the runway. A new 200' x 200' concrete blast pad will be constructed in the place of the EMAS. Other work includes the construction of a 12' x 850' access drive along the Medium

Intensity Approach Lighting System and construction of approximately 3,000 linear feet of 20' wide concrete perimeter road along the east side of the runway.

Federal and State Grants

The FAA provides up to 90 percent reimbursement of eligible project costs through the Airport Improvement Program (AIP) for small-hub airports. These grants are awarded as entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and the amount of landed weight of all-cargo aircraft at the Airport. Other discretionary grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports nationwide.

For fiscal year 2015, the FAA approved $14.5 million in AIP entitlement and discretionary grants for the rehabilitation of Taxiways Alpha and Bravo and improvements to the safety area on the north end of Runway 4R22L. The FAA-grant-eligible costs through 2020 are estimated at $36 million, which anticipates $14.9 million in discretionary funds.

The Arkansas Department of Aeronautics receives revenues derived from the sales tax paid on aircraft, aviation fuel, aviation-related products, parts and repairs or service, and as required by state law, distributes monies in the form of grants to the 91 public-owned/public use airports that are eligible for funding on a reimbursable, matching basis. During fiscal year 2015, the Airport received $756,096 in approved state grant funds.

Passenger Facility Charges

Passenger Facility Charges (PFCs) are imposed on enplaned passengers by airport operators and are collected by airlines for the purpose of funding for airport projects that increase capacity, increase safety, enhance airline competition, or to mitigate noise impact. The Airport is currently authorized by the FAA to impose a PFC and to use up to $96 million of PFC revenues. The FAA estimates the charge expiration date for approved PFC applications to be August 2016. During fiscal year 2015, the Airport received $3.7 million in PFC receipts, bringing the total PFC receipts and interest received since May 1, 1995, under the approved applications to $94.8 million. In fiscal year 2015, PFC revenues provided reimbursement of the matching funds on historic AIP funded projects. The Airport is currently waiting approval from the FAA for PFC Application Number 9 in the amount of $19.5 million, which will extend the Airport's PFC collection authority to 2020.

Other Significant Activities

Customer Service Initiatives

One of the Airport's strengths is the continuous dedication to excellent customer service. To sustain and build upon customer service, additional funds were expended during fiscal year 2015 for customer satisfaction surveys, passenger assistance at curbside and free high-speed Wi-Fi, which has been tested and proven to be the fastest Wi-Fi in North America. Further Wi-Fi upgrades and installation of new seating with power outlets included are planned as part of the Concourse Renovation Program to enhance the customer experience.

TSA Pre✓ ™ Enrollment Center

In June, 2015, the Commission opened an enrollment center in the Airport for TSA Pre✓™, an expedited screening program that allows travelers to leave on their shoes, light outerwear, belts and to keep their laptop and a 3-1-1 compliant liquids/gels bag in their carry-on suitcase without having to remove them at the checkpoint. Enrollment centers are typically found at much larger airports. In Little Rock, airport employees are handling enrollment as the airport would not have otherwise qualified for an on-site location under program guidelines. Since the center opened, 1,720 customers have enrolled in TSA Pre✓™ at the Airport.

Soaring Customer Satisfaction

Customer service enhancements continue to rank Clinton National Airport well above the national average for passenger satisfaction. Results from Phoenix Marketing International's 2015 Passenger Survey show that overall satisfaction with the Airport was 94% for the year, eight points higher than the national average. Passengers were most satisfied with the ease of getting to the terminal, check-in and overall facilities.

Fly Arkansas

In July 2015, the Commission signed a lease with Fly Arkansas, a new fixed-base operator (FBO), to provide direct support of flight related activities at the Airport. The Fly Arkansas occupies Buildings 500 and 500A, approximately 56,000 square feet, and leases an additional 136,000 square feet of ramp and parking areas of the former Hawker Beechcraft Facility. The addition of Fly Arkansas as a tenant enhances annual facilities and ground rents by approximately $176,000.

GLO Airlines

In September 2015, Glo Airlines, a new public charter operator, introduced daily non-stop service from Little Rock to New Orleans with two departures daily Monday through Friday and one departure each Saturday and Sunday. Glo is the Airport's sixth commercial air service provider and increases the number of destinations served to 14.

Southwest Reservation Center Reversion

In September 1994, the Commission entered into a lease agreement with Southwest Airlines to construct and operate an airline reservation facility on Airport property. The lease had a term of 20 years; all leasehold improvements reverted to Commission ownership on December 31, 2014. The premises, which had been leased to Arkansas Blue Cross Blue Shield (BCBS) until the company relocated in May 2015, include a 42,800 square-foot building and associated land and parking areas. The Commission actively marketed the facility through their real estate broker, Sage Partners & Jones Lang LaSalle and will enter a new lease agreement with Cantrell Drug in January 2016, enhancing annual facilities and ground rents by approximately $360,000.

Dassault Falcon Jet Expansion

In November 2015, Dassault Falcon Jet completed a major expansion of its Little Rock Completion Center that adds 350,000 square feet of production space to the facility. The centerpiece of the $60 million project is a new 250,000 square foot hangar earmarked for Dassault's latest two models – the Falcon 8X ultra long range trijet and the Falcon 5X very large body twin jet aircraft. To accommodate the new hangar and expansion, Dassault added approximately 36 acres of airport land to its leasehold, which enhances annual ground rents by approximately $280,000.

Debt Payoff Plan

In January 2013, the Commission announced a goal to eliminate the Airport's outstanding debt by November 2016. During the same month, the Series 1999A Bonds were defeased on call and paid off six years early. During fiscal year 2014, the second phase of the Debt Payoff Plan was realized with the elimination of debt service payments on the Series 2003 Bonds. While the series bonds were not eligible for call, sufficient balances have been deposited with the trustee (bond fund and debt service reserve), that no additional payments were required after April 2014. The final phase of the debt elimination plan was accomplished in December 2015 when the Airport deposited $6.9 million with the trustee to pay off the Series 2007 (A&B) Bonds at first call, November 2016. The Debt Payoff Plan will save over $7 million in reduced interest payments.

Outlook for the Future

The recent economic recession and slow recovery along with the challenges in the aviation industry have adversely impacted the Airport, resulting in reductions of daily flights being offered by the airlines serving our region resulting in the decrease in enplanements in 2015. During fiscal year 2016 and future years, the Airport is dedicated to continue development and expansion of airline service to existing and new locations.

A key goal will be to maintain the Commission's commitment to providing superior service to our customers while continuing to be a major economic engine and good neighbor to the surrounding community.

Internal Control Framework

The Airport's internal control framework is designed to provide reasonable, but not absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition; (2) execution of transactions in accordance with management's authorization; (3) reliability of financial records used in preparing financial statements and maintaining accountability for assets; (4) effectiveness and efficiency of operations; and (5) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived from it, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above structure. We believe that LIT's internal control framework adequately safeguards assets and provides assurance of proper recording of financial transactions.

Budgetary Control

The annual operating budget is proposed by Airport management and adopted by the Commission in a public meeting before the beginning of each fiscal year. The level of budgetary control (the level at which expenditures may not exceed appropriations) is by commitment item. The commitment items are salaries and benefits, professional and contracted services, materials and supplies, utilities, marketing and public relations, other operating expenses and capital purchases. The Airport has well established policies and procedures in place that include multiple layers of review and approval for all expenditures. Budget to actual costs are vetted with the Finance Committee before being reviewed with the full Commission on a monthly basis.

Independent Audit

BKD, LLP, a firm of independent certified public accountants, has issued an unmodified opinion on the Airport's financial statements for the years ended December 31, 2015 and 2014. The independent auditor's report on the fiscal year 2015 financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awared a Certificate of Achievement for Excellence in Financial Reporting to the Airport for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2014. This was the first year the Airport received this prestigious award.

In order to be awarded a Certificate, a governmental unit must publish an easily readable and efficiently organized report, the contents of which conform to the program's standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificiate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Publication of this CAFR is a reflection of the excellence and professionalism of LIT's entire staff. The dedicated service and efforts of the Finance Department made the preparation of this report possible. The assistance and contribution of other members of staff should also be acknowledged, and is much appreciated.

Respectfully submitted,

Ronald F. Mathieu, *CM*
Executive Director

David Tipton, *CPA, CFA, CM*
Director – Finance/CFO

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Bill and Hillary Clinton National Airport, Arkansas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

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FINANCIAL
SECTION

FINANCIAL SECTION CONTENTS:

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Independent Auditor's Report

Little Rock Municipal Airport Commission
Bill and Hillary Clinton National Airport
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Bill and Hillary Clinton National Airport (the Airport), a component unit of the City of Little Rock, Arkansas, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bill and Hillary Clinton National Airport as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The accompanying supplementary information consisting of the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedule of Passenger Facility Charge Revenues and Expenditures required by the *Passenger Facility Charge Audit Guide for Public Agencies*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introductory and Statistical Sections listed in the table of contents are presented for purposes of additional analysis and are not a required part 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 our report dated June 1, 2016, on our consideration of the Airport'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 Airport's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
June 1, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)
December 31, 2015 and 2014

The Bill and Hillary Clinton National Airport (Airport or LIT) is an independent, fiscally self-sufficient component unit of the City of Little Rock, Arkansas (City). The Little Rock Municipal Airport Commission (Commission), appointed by the City Board of Directors, is responsible for the operations and reporting as prescribed by state legislation. As presented in the following pages, the Management's Discussion and Analysis (MD&A) is provided as an introduction to the basic financial statements of the Airport for the year ended December 31, 2015.

The MD&A has been prepared by Airport management and is offered as an analytical overview of the annual financial activity of the Airport and how it relates to the core mission of the Commission. In order to obtain a full understanding of the Airport's financial performance, the MD&A should be read and considered in conjunction with the basic financial statements, which begin on page 51 of this report.

BASIC FINANCIAL STATEMENTS

The Airport's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Airport is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and depreciated over their useful lives. Please refer to the notes to the basic financial statements for a summary of the Airport's significant accounting policies.

The Airport's basic financial statements are designed to provide readers with a broad overview of its financial position and activities and include:

- *The **Statements of Financial Position** present the net position of the Airport at the end of the fiscal year. Net position is the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of the Airport's financial position.*
- *The **Statements of Revenues, Expenses and Changes** in Net Position present information showing the change in the Airport's net position during the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.*
- *The **Statements of Cash Flows** relates to the inflows and outflows of cash and cash equivalents. Consequently, only transactions that affect the Airport's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statements of Cash Flows to assist in understanding the difference between cash flows from operating activities and operating income.*

The ***Notes to the Financial Statements*** that follow the basic financial statements provide additional information for a more comprehensive assessment of the Airport's financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

PASSENGER AND OTHER TRAFFIC ACTIVITY HIGHLIGHTS

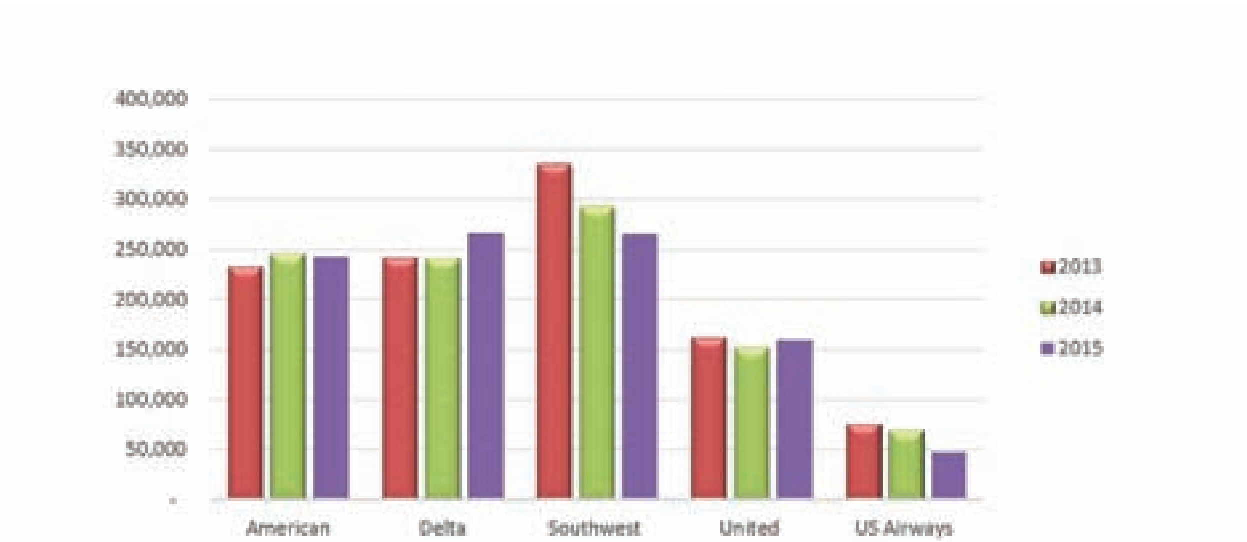
The following table highlights changes in LIT's key operating statistics for the last three fiscal years:

Key Operating Information	2015	2014	2013
Total Passengers (in 000s)	1,987	2,076	2,161
Enplanements (in 000s)	997	1,038	1,085
Cost per Enplaned Passenger	$9.68	$9.03	$8.34
Aircraft Operations	99,039	90,434	96,664
Landed Weights (in 1000s)	1,275,478	1,425,502	1,488,921
Air mail (lbs.)	935,163	562,267	1,260,920
Air Freight (lbs.)	16,723,298	16,694,302	15,282,500
Ground Rental (Acres)	235.4	242.5	242.5
Facility Leases (SF)	846,754	747,972	857,473

Source: Bureau of Transportation Statistics, T-100 Domestic Market and LIT management records

ENPLANED PASSENGERS

The following chart presents the top five airlines at LIT by number of passenger enplanements for fiscal year 2015 and the comparative enplanements for fiscal years 2014 and 2013.



Source: Monthly Airline Activity Reports

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

FISCAL YEAR 2015

The FAA classifies the airport hub size based on the contribution of the Airport to the national air system. This is measured in terms of passenger enplanements. During FY 2015, passenger traffic at LIT continued to decline with a reported 996,837 passenger enplanements compared to 1,038,307 for FY 2014. The reduction of 41,470 passengers, or -4%, was attributed to the continued impact of the Wright Amendment on Southwest Airlines flights. In addition, the merger of American Airlines and U.S. Airways resulted in the loss of the flight to New York.

FISCAL YEAR 2014

Departing passengers (enplanements) play a prominent role in the Airport's financial operations. During fiscal year 2014, passenger enplanements decreased by 47,000, or -4.3%, compared to fiscal year 2013. Of the 1,038,307 passengers that departed from the Airport, Southwest, American and Delta accounted for 75.3% of the market share. On October 13, 2014, the Wright Amendment, which originally governed Southwest Airlines traffic at Dallas Love Field and restricted non-stop flights from the Airport to destinations only in Texas and neighboring states, including Arkansas, had expired. As a result, LIT lost four daily flights to Dallas and Houston operated by Southwest Airlines, accounting for 42,365, or -90.3%, of the passenger reductions. The reduction in flights evidenced a new strategy of the Airline in moving away from small and medium-hub airports to more profitable routes. American Airlines posted a 5.6% increase in the airline's passenger traffic after merging with U.S. Airways

AIR TRAFFIC OPERATIONS

The chart presents scheduled daily flights departing from LIT at December 31, 2015, and the comparative flights for fiscal years 2014 and 2013.

Fiscal Year 2015

Air traffic at LIT was increased by 2.1 average daily flights during 2015. The addition of twice daily service to New Orleans with GLO Airlines contributed to this gain. Additionally, United increased their daily flights to Denver to three.

Fiscal Year 2014

During fiscal year 2014, LIT lost a net 3.4 daily flights. Delta Airlines dropped one flight to Memphis; Southwest removed three scheduled flights to Dallas and one to Houston; and Frontier ceased operations, eliminating flights to Denver operating three days a week. The reductions were offset with United adding daily flights to Denver and Chicago, and American Airlines starting new service to LaGuardia.

Destinations	2013	2014	2015
Atlanta, GA (ATL)	7.0	7.0	7.0
Baltimore, MD (BWI)	1.0	1.0	1.0
Charlotte, NC (CLT)	3.0	3.0	3.0
Chicago, IL (MDW)	1.0	1.0	1.0
Chicago, IL (ORD)	7.0	8.0	8.0
Dallas, TX (DAL)	6.0	3.0	3.0
Dallas, TX (DFW)	7.0	7.0	7.0
Denver, CO (DEN)	1.4	2.0	3.0
Destin, FL (DSI)	-	-	-
Detroit, MI (DTW)	1.0	1.0	1.0
Houston, TX (HOU)	1.0	-	-
Houston, TX (IAH)	5.0	5.0	5.0
Las Vegas, NV (LAS)	1.0	1.0	1.0
Los Angeles, CA (LAX)	-	-	0.1
Memphis, TN (MEM)	1.0	-	-
New Orleans, LA (SMY)	-	-	2.0
New York (LGA)	-	1.0	-
Orlando, FL (SFB)	0.3	0.3	0.3
Phoenix, AZ (PHX)	1.0	1.0	1.0
Saint Louis, MO (STL)	-	-	-
Washington, DC (DCA)	1.0	-	-
Total Daily Flights	**44.7**	**41.3**	**43.4**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

OVERVIEW OF LIT'S FINANCIAL STATEMENTS

Financial Highlights, Fiscal Year 2015

- *LIT's assets exceeded liabilities at December 31, 2015, by $361.5 million.*
- *Bonded debt was eliminated.*
- *Operating revenue totaled $31.2 million.*
- *Operating expenses (excluding depreciation) totaled $21.4 million.*
- *Net nonoperating revenue was $4.9 million.*
- *Federal grants totaled $3.9 million.*
- *Net position increased by $6.8 million.*

Financial Highlights, Fiscal Year 2014

- *LIT's assets exceeded liabilities at December 31, 2014, by $354.7 million.*
- *Bonded debt of LIT had a net decrease of $1.2 million.*
- *Operating revenue totaled $30.7 million.*
- *Operating expenses (excluding depreciation) totaled $20.1 million.*
- *Net nonoperating revenue was $4.4 million.*
- *Federal grants totaled $6.9 million.*
- *Net position increased by $9.7 million.*

NET POSITION

As shown in the table on the following page, and in the basic financial statements, the net position of the Airport is represented as follows:

Net investment in capital assets – reflects the Airport's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Airport uses these capital assets to provide facilities to its tenants, users and customers. Consequently, these assets are not available for future spending. Although, the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay the debt are funded from operations, since the capital assets themselves cannot be used to liquidate liabilities.

Restricted – An additional portion of the Airport's net position represents resources that are subject to external restrictions on how they can be used under bond resolutions and federal regulations.

Unrestricted – The remaining unrestricted net position consists mainly of cash, investments and accounts receivable that are immediately available to meet any of the Airport's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2015

Net Position

	2015	2014	2013	FY15 vs. FY14 % change	FY14 vs. FY13 % change
Assets and Deferred Outflows of Resources					
Cash and cash equivalents	$ 24,884,329	$ 17,883,780	$ 11,762,492	39.1%	52.0%
Restricted cash and cash equivalents	12,361,002	19,966,258	19,749,045	-38.1%	1.1%
Accounts receivable, less allowance	835,979	646,812	784,633	29.2%	-17.6%
Other current assets	3,333,265	5,844,323	4,077,017	-43.0%	43.3%
Capital assets, net	324,083,613	325,058,973	325,875,892	-0.3%	-0.3%
Other noncurrent assets	379,297	288,271	325,123	31.6%	-11.3%
Total assets	365,877,485	369,688,417	362,574,202	-1.0%	2.0%
Deferred outflows of resources	-	45,402	88,964	-100.0%	-49.0%
Total assets and deferred outflows of resources	$ 365,877,485	$369,733,819	$362,663,166	-1.0%	1.9%
Liabilities					
Current liabilities	$ 4,365,578	$ 6,630,169	$ 7,615,785	-34.2%	-12.9%
Long-term debt	-	8,409,762	10,023,739	-100.0%	-16.1%
Total liabilities	4,365,578	15,039,931	17,639,524	-71.0%	-14.7%
Net Position					
Net investment in capital assets	322,340,670	312,867,506	311,522,353	3.0%	0.4%
Restricted	12,740,299	20,179,175	19,991,502	-36.9%	0.9%
Unrestricted	26,430,938	21,647,207	13,509,787	22.1%	60.2%
Total net position	361,511,907	354,693,888	345,023,642	1.9%	2.8%
Total liabilities and net position	$ 365,877,485	$369,733,819	$362,663,166	-1.0%	1.9%

NET POSITION, FY 2015

Total net position may serve as a useful indicator of the Airport's financial position. At the close of fiscal years 2015 and 2014, LIT's assets exceeded liabilities by $361.5 million and $354.7 million, respectively, representing a 1.9% increase, or $6.8 million.

The largest portion of LIT's net position ($322.3 million, or 89.2%) reflects its investment in capital assets less depreciation and any related outstanding debt used to acquire those assets. An additional portion of LIT's net position ($12.7 million, or 3.5%) represents resources that are subject to various restrictions on how they are used. The remaining balance of $26.4 million (7.3%) may be used to meet LIT's ongoing obligations.

Unrestricted net position increased by 22.1% from $21.6 million at December 31, 2014, to $26.4 million at December 31, 2015. As presented, current assets consist mainly of cash, investments and accounts receivable that are immediately available to meet any of the Airport's ongoing obligations. During fiscal year 2015, the Airport lowered its current (cash) assets with the advanced extinguishment of the Series 2007 Airport Revenue Bonds. Also during 2015, the Airport transferred funds from the PFC (restricted) account into the unrestricted cash account to reimburse historic land acquisition and legacy costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

NET POSITION, FY 2014

Total net position serves over time as a useful indicator of the Airport's financial position. At the close of fiscal year 2014 and 2013, LIT's assets exceeded liabilities by $354.7 million and $345.0 million, respectively, representing a 2.8% increase, or $9.7 million.

The largest portion of LIT's net position ($312.9 million, or 88.2%) reflects its investment in capital assets less depreciation and any related outstanding debt used to acquire those assets. As noted earlier, an additional portion of LIT's net position ($20.2 million, or 5.7%) represents resources that are subject to various restrictions on how they are used. The remaining balance of $21.6 million (6.1%) may be used to meet LIT's ongoing obligations.

Capital asset additions are financed through issuance of revenue bonds, grants from federal agencies, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs) and exisiting resources. During fiscal year 2014, capital assets, net of depreciation, decreased by $.8 million, or 0.3%.

Restricted current assets include cash and investments held for capital projects funded by PFCs as well as bonded debt service funds held by fiscal agents. Drawdowns by fiscal agents are used for bond principal and interest payments. During fiscal year 2014, the Airport transferred $3.0 million from the restricted PFC collections account to unrestricted cash in order to reimburse the Airport for historic capital costs approved by the FAA.

Unrestricted net position increased by 60.2% from $13.5 million at December 31, 2013, to $21.6 million at December 31, 2014. As presented, current assets consists primarily of cash inflows that exceeded outflows during the fiscal year. Unrestricted cash inflows were from operating activities as well as federal grant reimbursements for eligible capital projects. Unrestricted cash outflows include capital acquisitions and transfers to fiscal agents for debt service. During fiscal year 2014, LIT received $5.4 million in federal grant revenue from the FAA's Airport Improvement Program (AIP) and $1.5 million in revenue through agreements with the Transportation Security Administration (TSA).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

CHANGES IN NET POSITION SUMMARY

A condensed summary of LIT's changes in net position for fiscal years ended 2015, 2014 and 2013 is presented below:

Changes in Net Position

	2015	2014	2013	FY 2015 Increase (decrease)	FY 2014 Increase (decrease)
Operating revenue	$ 31,237,770	$ 30,648,296	$ 30,498,523	$ 589,474	$ 149,773
Less: Operating expenses	21,380,293	20,101,509	19,844,695	1,278,784	256,815
Operating income before depreciation	9,857,477	10,546,787	10,653,828	(689,310)	(107,042)
Less: Depreciation	14,459,027	13,929,312	12,014,351	529,715	1,914,961
Operating income	(4,601,550)	(3,382,525)	(1,360,521)	(1,219,025)	(2,022,004)
Other nonoperating revenue, net	4,869,818	4,373,116	7,182,743	496,702	(2,809,628)
Capital contributions and grants	6,549,752	8,679,655	19,081,781	(2,129,903)	(10,402,126)
Changes in net position	6,818,020	9,670,246	24,904,003	(2,852,226)	(15,233,758)
Net position, beginning of year	354,693,888	345,023,642	312,581,830	9,670,246	32,441,812
Restatements, as previously reported	-	-	7,537,809	-	(7,537,809)
Net position, end of year	$ 361,511,908	$ 354,693,888	$ 345,023,642	$ 6,818,020	$ 9,670,245

NET POSITION CHANGES, FY 2015

Operating revenue for 2015 of $31.2 million increased $589K, or 1.9%, from the 2014 balance of $30.6 million. Operating expenses at the Airport increased $1.3 million to $21.4 million. That is a 6.3% increase over the $20.1 total for 2014. With the increase in capital assets during 2015 referred to above, depreciation for 2015 was $14.5 million, or $530K greater than the $13.9 million in depreciation recorded in 2014. 2015 operating income was ($4.6 million), which was ($1.2 million) less than the ($3.4 million) from 2014.

Other Nonoperating revenue, net was $4.4 million in 2014 compared to $4.9 million in 2015, an increase of $497K or 11.3%. Capital contributions and grants for 2015 were $6.6 million. This represents a decrease of $2.1 million, or 24.5%, from the $8.7 reported in 2014. Net Position at the end of 2015 was $361.5 million. This was up $6.8 million, or 1.9%, from the $354.7 million balance at the end of 2014.

NET POSITION CHANGES, FY 2014

Operating revenue for 2014 of $30.6 million increased $150K from the 2013 balance of $30.5 million. Operating expenses increased $257K to $20.1 million. That is a 1.2% increase over the $19.8 total for 2013. Depreciation for 2014 was $13.9 million, or $1.9 million greater than the $12 million in Depreciation recorded in 2013. 2014 Operating income was ($3.4 million), which was ($2 million) less than the ($1.4 million) from 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

NET POSITION CHANGES, FY 2014, CONT.

Other Nonoperating revenue, net decreased from $7.2 million in 2013 to $4.4 million in 2014, a decrease of ($2.8 million) or (39.1%). Capital contributions and grants for 2014 were $8.7 million. This represents a decrease of $10.4 million from the $19.1 reported in 2013. Net Position at the end of 2014 was $354.7 million. This was up $9.7 million, or 2.8%, from the $345 million balance at the end of 2013.

As reflected in the table above, the Airport recorded an adjustment to the January 1, 2013, net position to remove from capital assets leasehold improvements that have yet to be contributed to the Airport and to remove the unrealized equity related to these leasehold improvements that was recorded as a liability. In addition, the Airport recorded an asset for a leasehold improvement that was contributed to the Airport during 2012.

Also, during 2013, the Airport determined that certain assets that were recorded in the 2012 financial statements did not include capitalized interest. The Airport recorded an adjustment to the January 1, 2013, net position to record the capitalized interest.

The Airport also reduced the December 31, 2013, balance of interest expense by $238,539 to reflect the elimination of amortization of bond issuance costs for 2013. Finally, the Airport reclassified $88,964 of deferred amounts on refundings of debt from long-term debt to deferred outflows of resources in the 2013 balance sheet.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

OPERATING REVENUE

LIT derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2015, 2014 and 2013:

Summary of Operating Revenue

	2015	2014	2013	FY 2015 Increase (decrease)	FY 2014 Increase (decrease)
Operating Revenues					
Airline revenues					
Landing fees	$ 4,992,768	$ 5,132,689	$ 5,041,447	$ (139,921)	$ 91,242
Airline rents	5,028,594	4,592,916	4,327,956	435,678	264,960
Airline use fees	175,125	143,325	145,350	31,800	(2,025)
Total airline revenues	10,196,487	9,868,930	9,514,753	327,557	354,177
Nonairline revenues					
Public Parking	9,121,334	9,434,927	9,461,106	(313,593)	(26,179)
Concessions	1,182,673	1,248,579	1,168,894	(65,906)	79,685
Rental Cars	6,398,853	6,311,336	6,167,286	87,517	144,050
Nonairline rents	3,458,891	3,068,575	3,338,192	390,316	(269,617)
Other	879,531	715,949	848,292	163,582	(132,343)
Total nonairline revenues	21,041,282	20,779,366	20,983,770	261,916	(204,404)
Total operating revenues	$ 31,237,769	$ 30,648,296	$ 30,498,523	$ 589,473	$ 149,773

Airline revenues are a major category of operating revenues and includes rents, fees and charges collected from the airlines that utilize the Airport facilities. LIT establishes rate setting methodologies according to best industry standards as described below.

Landing fees are calculated on cost recovery methodologies for the airfield area, which includes all runways, taxiways, associated navigational and operational aids and other airside properties. Landing fee rates are set using budgeted expenses and estimates of landed weight. To maintain a competitive landing fee rate, LIT has historically applied a discretionary credit.

The fees are reconciled at the end of the year using actual expenses and actual weight, and any variance in excess of the discretionary credit is applied to the following year rate. Landing fees are charged to passenger and cargo for commercial aircraft landings, as well as from the fixed-base operators for general aviation flights at the Airport. Airline rents are established on a cost recovery methodology that includes both operating costs and capital purchases for the terminal area. The compensatory rate structure allows the Airport to transfer a pro-rata share of the terminal costs to the airlines based on usable space.

Airline use fees include charges imposed for the use of Airport-operated (common use) facilities including hold rooms, gates and jet bridges. Additionally, this category includes ramp and remain overnight aircraft parking fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

OPERATING REVENUE, FISCAL YEAR 2015

The following charts illustrate the proportion of sources of operating revenue for fiscal years ended December 31, 2015 and 2014:

For fiscal year ended December 31, 2015, total operating revenue was $31.2 million, a $589,473, or 1.9%, increase from the prior fiscal year. The growth in airline revenues was $327,557.

For the fiscal years ended December 31, 2015 and 2014, landing fees were $5.0 million and $5.1 million, respectively, for a decrease of $139,921. The landing fee rate increased from $3.65 per 1,000 pounds to $3.90 per 1,000 pounds.

Airline rental revenues posted a growth of $435,678, or 9%, as a result of the increased rate per square foot. The increase in the rental rate from $31.25 per square foot to $34.18 per square foot provided for incidental costs associated with the new in-line baggage handling system (BHS). Additionally, the in-line BHS added 34,680 square feet to the airline leased space.

During fiscal year 2015, nonairline revenues increased $261,916 or 1.3%, compared to fiscal year 2014. A majority of this increase came from nonairline rents through an annual adjustment in rental rates, as well as a partial year lease of the former Southwest Airlines reservation center.

Concessions collected in the terminal for fiscal year 2015 reflected a 5.3% reduction, or $65,906 loss, in revenues compared to fiscal year 2014. The decrease is attributable to the decline in passengers.

Rental car revenues totaling $6.4 million for fiscal year 2015 were up from the $6.3 million posted for fiscal year 2014.

During the FY 2014, the former Southwest Airlines Reservation Center reverted to the Airport. The Airport was able to rent the facility to the existing tenant, Blue Cross Blue Shield, for the first four months of 2015. Additionally, the Airport was able to lease some of the former Hawker hangar space to Dassault Falcon.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

OPERATING REVENUE, FISCAL YEAR 2014

The following charts illustrate the proportion of sources of operating revenue for fiscal years ended December 31, 2014 and 2013:

For fiscal year ended December 31, 2014, total operating revenue was $30.7 million, a $149,773, or 0.5%, increase from the prior fiscal year. The growth in airline revenue was $354,177. Non-airline revenue had a net decrease of $204,404mostly due to reduction in nonairline rents.

Landing fees totaled $5.1 million in fiscal year 2014 compared to $5.0 million reported in fiscal year 2013. Landing fee rates were increased from $3.39 per 1,000 pounds to $3.65 per 1,000 pounds during 2014. This represented the first landing fee increase in five years. Landing fee weights declined as a result of variations in passenger carrier air service through a combination of increases and/or decreases in flights and the size of aircraft used for flights.

Airline rents of $31.25 charged per square foot of actual terminal space utilized by the airlines increased compared to $30.34 charged in fiscal year 2013. Airline use fees include charges imposed for the use of Airport-operated (common use) facilities including hold rooms, gates and jet bridges.

Additionally, this category includes ramp and remain overnight aircraft parking fees. For fiscal year 2014, a 1.4% decrease is reported compared to fiscal year 2013. This represents a reduction in the utilization of LIT's common use facilities, which are charged on a per turn basis.

Nonairline revenues include rates, fees and charges imposed for other Airport businesses. As illustrated in the preceding pages, this includes public parking, terminal concessions, rental car operations and other revenues. For fiscal year 2014, nonairline revenues totaled $20.9 million (a 1.0% decrease) compared to $21 million in fiscal year 2013. The changes in the larger components of nonairline revenues are described below.

Public parking revenues collected from vehicle parking areas, including metered and valet parking, totaled $9.4 million in fiscal year 2014. This reflects a 0.3% decrease compared to $9.5 million reported for fiscal year 2013. Parking revenues were impacted primarily by the 4.3% reduction in enplaned passengers for the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

OPERATING REVENUE, FISCAL YEAR 2014, CONTINUED

Concession fees from restaurants, advertising and vending totaled $1.25 million in fiscal year 2014. This reflects a 6.8% increase compared to $1.17 million reported for fiscal year 2013. Increases in revenues from restaurants and advertising accounted for most of this increase.

Rental car operations are a combination of various charges imposed on rental car agencies for the privilege of operating at the Airport. As a provision of the 2010 Rental Car Concession Agreement, the agencies paid percentage fees collected on gross revenues of $3.5 million in fiscal year 2014 compared to the $3.4 million collected in fiscal year 2013 (a 2.9% increase). Also provided in the agreement are standard facility rents the agencies will pay for space occupied on-airport. These rents will be phased in over the contract term with a subsidy provided by the CFC. The CFC is a facility charge imposed for each rental car transaction day. The CFC became effective December 2009, and for fiscal year 2014, the Airport collected $2.4 million, a slight decrease from the $2.5 million collected in fiscal year 2013.

Nonairline rentals include commercial and industrial facility and ground rents that totaled $3.1 million for fiscal year 2014. These rents were down 8.1% compared to the $3.3 million in fiscal year 2013 as a result of Hawker Beechcraft Chapter 11 Bankruptcy action to terminate its 45-year lease and transfer ownership of the 400,000 square foot facility to the Airport. The $545,392 loss to annual rental income was offset with the announcement of Dassault Falcon Jet to expand facilities in Little Rock, whereas an additional 36.4 acres were added to the footprint of its leasehold, which added $73,438 to commercial rents. Additionally, a slight increase in the facility rents was attributable to Consumer Price Index (CPI) adjustments on certain leased facilities.

Other operating revenues, including ground transportation revenues, reflected a decrease of 15.6% in fiscal year 2014 compared to fiscal year 2013.

OPERATING EXPENSES

The following table presents a summary of LIT operating expenses for the fiscal years ended December 31, 2015, 2014 and 2013. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease and other miscellaneous items.

Summary of Operating Expenses

	2015	2014	2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Salaries and benefits	$ 11,193,730	$ 10,130,005	$ 9,632,395	$ 1,063,725	$ 497,610
Services and supplies	5,027,857	5,125,363	5,434,107	(97,506)	(308,744)
Maintenance and repairs	1,265,116	1,111,564	1,071,833	153,552	39,731
Utilities	1,867,845	1,974,685	1,784,159	(106,840)	190,526
Other	2,025,745	1,759,892	1,922,201	265,853	(162,309)
Operating expenses before depreciation	21,380,293	20,101,509	19,844,695	1,278,784	256,814
Depreciation	14,459,027	13,929,312	12,014,349	529,715	1,914,963
Total operating expenses	$ 35,839,320	$ 34,030,821	$ 31,859,044	$ 1,808,499	$ 2,171,777

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

OPERATING EXPENSES, FISCAL YEAR 2015

The following charts illustrate the proportion of categories of operating expenses for fiscal years ended December 31, 2015 and 2014:

For the fiscal year ended December 31, 2015, operating expenses were $35.8 million, a $1.8 million, or 5.3%, increase from the prior fiscal year. Expense categories that posted notable fluctuations were maintenance and repairs, up by $153,552, or 13.8%; salaries and benefits, up $1.1 million, or 10.5%; and depreciation, up by $529,715. The remaining expense accounts had an aggregate increase of $61,509.

For maintenance and repairs, the reversions of the former Hawker facility and the Southwest Reservation Center increased the properties the Airport had to maintain during 2015.

Salaries and benefits increased as a result an average merit increase of 3% and added costs related to changes in employee benefits including medical, insurance and retirement.

Depreciation increased by 3.8% in fiscal year 2015 where the increase reflects the capitalization of the aggressive capital investment program undertaken in recent years, including terminal renovations, and several airfield projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

OPERATING EXPENSES, FISCAL YEAR 2014

The following charts illustrate the proportion of categories of operating expenses for fiscal years ended December 31, 2014 and 2013:

For the fiscal year ended December 31, 2014, operating expenses were $34.0 million, a $2.2 million, or 6.8%, increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by $497,610; utilities, up by $190,528; and depreciation, up by $1.9 million. The remaining expense accounts had an aggregate net decrease of $431,321.

During fiscal year 2014, salaries and benefits increased 5.2% primarily as a result of average merit increases of 3% and added costs related to changes in employee benefits including medical, insurance and retirement. The final phase of the increased employer participation in the Defined Contribution Plan went into effect in January 2014.

Utilities increased by 10.7% during fiscal year 2014 primarily as a result of the Hawker Beechcraft facility reverting to the Airport in December 2013.

The increase in depreciation charges from $12.0 million in fiscal year 2013 to $13.9 million in fiscal year 2014 was due to the completion of certain major projects in the terminal and airfield. During fiscal year 2014, $16.0 million was reclassified from construction work in progress to depreciable capital asset categories.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

NONOPERATING TRANSACTIONS

Nonoperating transactions are activities that do not result from providing services as well as producing and delivering goods in connection with LIT's ongoing operations. The following table presents a summary of these activities during fiscal years 2015, 2014 and 2013:

Summary of Nonoperating Transactions

	2015	2014	2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Nonoperating revenue					
Passenger facility charges	$ 3,866,346	$ 4,060,772	$ 4,307,994	$ (194,426)	$ (247,222)
Federal operating grants	314,605	358,928	264,963	(44,323)	93,965
Interest income	270,189	201,345	191,195	68,844	10,150
Gain on disposal of assets	22,723	11,186	48,394	11,537	(37,208)
Other nonoperating revenue	1,073,169	145,193	2,895,688	927,976	(2,750,495)
Total nonoperating revenues	$ 5,547,032	$ 4,777,424	$ 7,708,234	$ 769,608	$ (2,930,810)
Interest expense, net of capitalized interest	$ 660,768	$ 395,560	$ 377,462	$ 265,208	$ 18,098
Paying agents and trustees	16,446	8,748	8,092	7,698	656
Loss on disposal of assets	-	-	139,937	-	(139,937)
Other nonoperating expense	-	-	-	-	-
Total nonoperating expenses	$ 677,214	$ 404,308	$ 525,491	$ 272,906	$ (121,183)
Federal, state and local grants	$ 4,379,192	$ 6,777,321	$ 5,963,917	$ (2,398,129)	$ 813,404
Contributions from lessees	2,170,560	1,902,334	13,117,864	268,226	(11,215,530)
Total capital contributions and grants	$ 6,549,752	$ 8,679,655	$ 19,081,781	$ (2,129,903)	$(10,402,126)

NONOPERATING TRANSACTIONS, FISCAL YEAR 2015

PFCs are imposed on enplaning passengers. For fiscal year 2015, the reduction of $194,426 in PFCs from the prior fiscal year represents a 4.8% decline in collections aligned with the loss in passenger traffic. Other nonoperating revenue increased from $145,193 in fiscal year 2014 to $1.1 million in fiscal year. This was primarily due to an increase in aviation fuel tax receipts. A three year audit of vendors selling aviation fuel accounted for a majority of this increase.

The decrease of 12.4% in federal operating grants reflects a reduction in TSA utility reimbursements due to replacement of older screening equipment with newer efficient equipment.

During fiscal year 2015, interest income increased 34.2% due to higher cash balances resulting from the reimbursement of historic costs. Interest expense increased due to the early retirement of the 2007 Bonds. As referenced earlier, this will result in a significant savings in interest expense in future periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

NONOPERATING TRANSACTIONS, FISCAL YEAR 2014

PFC income for fiscal 2014 totaled $4.1 million, a 5.7% reduction from the $4.3 million collected in fiscal year 2013. The decrease results from the decline in enplaned passengers and a change in timing of ticket purchases compared to the previous year. PFCs are collected at the time the airplane tickets are purchased and not at the time of travel. The proceeds are then remitted to the Airport in the month following the ticket purchase.

Federal operating grants include reimbursement of costs associated with (1) law enforcement officers (LEO), (2) the Airport's canine program and (3) utilities associated with TSA-leased space.

The increase of 35.5% includes an increase Airport Improvement Program (AIP) entitlement grants received during fiscal year 2014.

During fiscal year 2014, interest income increased 5.3% as cash balances increased throughout the year. FAA reimbursements for historic (Area 1) land acquisition costs as well as a reduction in construction projects are primary reasons cash increased during the year. Interest expense capitalized during fiscal year 2013 was greater than the amount capitalized during the current year. This resulted in a 4.8% increase in interest expense in fiscal year 2014.

Capital contributions decreased $10.4 million, or 54.5%, compared to contributions reported for 2013. Federal Grants increased $1.1 million. Contributions from lessees reflect tenant leaseholds that have expired and facilities have reverted to the Airport. During fiscal year 2014, the Southwest Airlines reservation facility was recorded at fair value of $1.9 million. A significant reduction to fiscal year 2013 which recognized the 400,000 square foot complex vacated by Hawker Beechcraft.

CAPITAL ASSETS

Summary of Capital Assets
Net of Accumulated Depreciation
(in thousands)

	2015	2014	2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Land	$ 66,183	$ 63,988	$ 61,795	2,194	2,193
Construction work in progress	9,236	9,290	15,137	(54)	(5,847)
Capital assets not depreciated	75,419	73,278	76,932	2,141	(3,654)
Buildings and improvements	364,978	359,419	343,829	5,559	15,590
Equipment	20,593	19,850	19,337	743	513
Infrastructure	38,174	33,330	32,980	4,844	350
Capital assets depreciated	423,745	412,599	396,146	11,146	16,452
Less: accumulated depreciation	(175,080)	(160,818)	(147,202)	(14,262)	(13,616)
Net Capital Assets	$ 324,084	$ 325,059	$ 325,876	$ (975)	$ (817)

As presented in Note 4 of the Financial Statements, and summarized above, LIT's investment in capital assets, net of accumulated depreciation, as of December 31, 2015 and 2014, was $324.1 million and $325.1 million, respectively. This investment, which accounts for 88.6% and 87.9% of LIT's total assets as of December 31, 2015 and 2014, respectively, includes land, buildings, improvements, equipment and vehicles and construction in progress.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

CAPITAL ASSETS, FISCAL YEAR 2015

The following assets were capitalized during fiscal year 2015:

- ***Runway 4L/22R shoulder & edge lights - $3.4 million***
- ***Runway 4L/22R centerline & touchdown lighting - $1.4 million***
- ***Land acquisitions (Hollinsworth Grove, Cooper Road & Pecan Grove) - $2.1 million***
- ***Area one land acquisition - $61,898***
- ***Terminal redevelopment and upgrades – $574,441***
- ***Tug tunnel pavement investigation - $94,979***
- ***AMF fueling system - $606,806***
- ***Parking deck service upgrade - $465,895***
- ***Rezoning ROW Abandonment - $38,138***
- ***Facility reversion – Central Flying Service building 38 - $619,393***
- ***Facility reversion – Falcon Jet plating building - $301,167***

CAPITAL ASSETS, FISCAL YEAR 2014

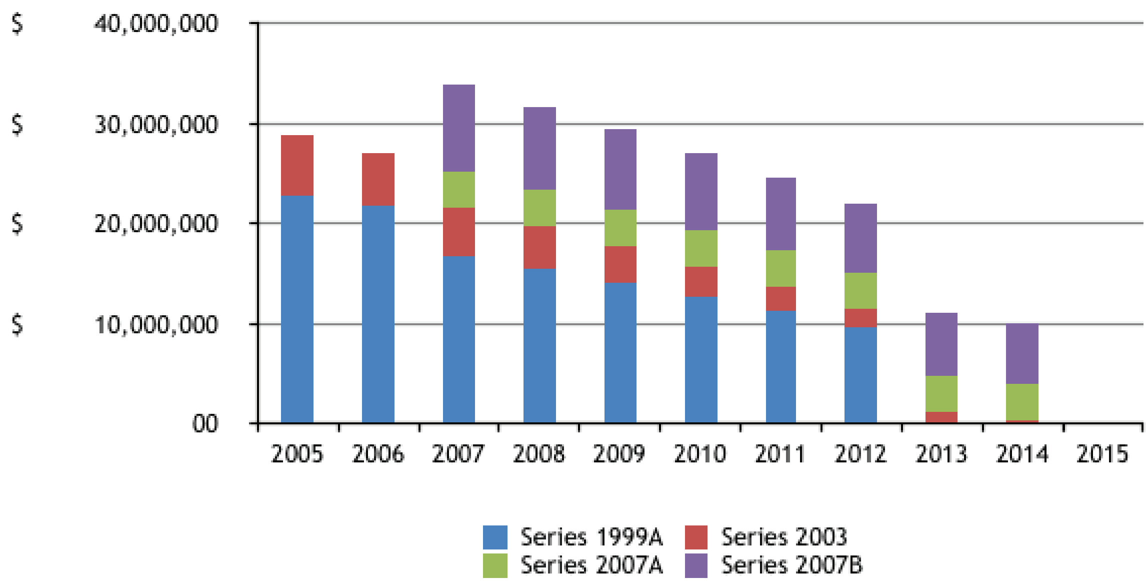
The following assets were capitalized during fiscal year 2014:

- ***Part 150 land acquisition (Phase 3) – $1.4 million***
- ***Land improvements (including demolition of AEC and AMF) – $715,000***
- ***Land acquisition (Tyner Road) – $13,000***
- ***Various airfield studies (including Wild Life Assessment, Utility Relocation and others) – $325,000***
- ***Energy Savings Project (Terminal Value Engineering) – $7.1 million***
- ***Terminal redevelopment and upgrades – $6.3 million***
- ***Airfield vehicles and equipment – $476,000***
- ***Computer system upgrades – $308,000***
- ***Facility reversion – Southwest Reservation Facility – $1.9 million***

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

LONG-TERM DEBT

As of December 31, 2015, the Airport had transferred funds to our bond trustee to pay off the balance of the Series 2007 Airport Revenue Bonds. These funds will be used to retire the 2007 Bonds at the first call date, November 2016. These are the final outstanding bonds issued by the Airport, thereby making LIT debt-free with the retirement of this debt.



CREDIT RATINGS

In FY 2015, Standard & Poor's rating services affirmed the Airport's "A" rating on general airport revenue bonds. The rating noted a consistently improved financial risk profile despite declining enplanement trends. The strong rating was attributable to (1) stable debt coverage in excess of 2.1x since 2005, (2) low debt burden per passenger, and (3) good liquidity position. The outlook remained as stable.

Also during 2015, Moody's Investor Service affirmed the A2 underlying rating on the outstanding balance of the airport revenue bonds. The agency noted the airport's stable financial performance and metrics, limited competition and adequate liquidity. The stable outlook reflects their expection that financial performance will remain stable despite enplanement declines and debt service coverage will remain strong.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **2015**

REQUEST FOR INFORMATION

This financial report is designed to provide detail information on the Airport's operations to the Little Rock Municipal Airport Commission, management, investors, creditors, customers and all others with an interest in the Airport's financial affairs and to demonstrate the Commission's accountability for the assets it controls and the funds it receives and expends. Questions concerning any of the information provided in this report or any request for additional information should be made in writing and addressed to the Finance Department, One Airport Drive, Little Rock Arkansas, 72202 or by sending an email to finance@clintonairport.com or by calling (501) 537-7329.

David Tipton, CPA, CFA, CM
Director-Finance/CFO

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BASIC FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 24,884,329	$ 17,883,780
Cash and cash equivalents – restricted	-	514,132
Trade accounts receivable, net	835,979	646,812
Grants receivable	2,931,107	5,463,609
Prepaid expenses	402,158	380,714
Total current assets	29,053,573	24,889,047
Noncurrent Assets		
Cash and cash equivalents – restricted	12,361,002	19,452,125
Passenger facility charges receivable – restricted	379,297	288,271
Nondepreciable capital assets	75,419,268	73,278,046
Depreciable capital assets, net	248,664,345	251,780,928
Total noncurrent assets	336,823,912	344,799,370
Total assets	365,877,485	369,688,417
Deferred Outflows of Resources		
Deferred amounts on refundings	-	45,402
Total assets and deferred outflows of resources	$ 365,877,485	$ 369,733,819

See Notes to Financial Statements

	2015	2014
Liabilities and Net Position		
Current Liabilities		
Payable from Unrestricted Assets		
Accounts payable – trade	$ 768,449	$ 851,146
Accrued wages and benefits	1,492,059	1,558,613
Due to City of Little Rock	-	100,275
Due to other governmental units	24,197	28,210
Security deposits and unearned revenue	337,930	189,464
Total current liabilities payable from unrestricted assets	2,622,635	2,727,708
Payable from Restricted Assets		
Accounts payable – construction	1,742,943	2,213,131
Accrued interest	-	75,353
Current maturities of revenue bonds	-	1,613,977
Total current liabilities payable from restricted assets	1,742,943	3,902,461
Total current liabilities	4,365,578	6,630,169
Noncurrent Liabilities		
Revenue bonds payable	-	8,409,762
Total noncurrent liabilities	-	8,409,762
Total liabilities	4,365,578	15,039,931
Net Position		
Net investment in capital assets	322,340,670	312,867,506
Restricted for:		
Capital projects	12,740,299	17,737,136
Debt service	-	2,442,039
Total restricted net position	335,080,969	333,046,681
Unrestricted	26,430,938	21,647,207
Total net position	361,511,907	354,693,888
Total liabilities and net position	$ 365,877,485	$ 369,733,819

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2015 and 2014

	2015	2014
Operating Revenues		
Airline Revenues		
Airport landing and related fees	$ 4,992,768	$ 5,132,689
Terminal building rentals and related fees	5,028,594	4,592,916
Facility use fees	175,125	143,325
Total airline revenues	10,196,487	9,868,930
Nonairline Revenues		
Parking fees	9,121,334	9,434,927
Concession fees	1,182,673	1,248,579
Car rental operations	6,398,853	6,311,336
Facility and ground rentals	3,458,891	3,068,575
Ground transportation	104,138	102,849
Services sold	375,274	336,260
General aviation activity	285,027	166,749
Other	115,092	110,091
Total nonairline revenues	21,041,282	20,779,366
Total operating revenues	31,237,769	30,648,296
Operating Expenses		
Salaries, wages and employee benefits	11,193,730	10,130,005
Professional and contractual services	4,188,836	4,265,209
Buildings and grounds maintenance	523,859	359,459
Equipment repair and maintenance	741,257	752,105
Marketing and public affairs	246,543	112,667
Utilities	1,867,845	1,974,685
Materials and supplies	839,021	860,154
Insurance	378,709	371,617
Other	1,400,493	1,275,608
Total operating expenses	21,380,293	20,101,509
Income from Operations Before Depreciation	9,857,476	10,546,787
Depreciation	14,459,027	13,929,312
Loss from Operations	(4,601,551)	(3,382,525)

See Notes to Financial Statements

	2015	2014
Nonoperating Revenues (Expenses)		
Passenger facility charges	$ 3,866,346	$ 4,060,772
Federal operating grants	314,605	358,928
Interest income	270,189	201,345
Interest expense, net of interest capitalized; 2015 – $88,139, 2014 – $88,183	(342,548)	(395,560)
Loss on extinguishment of debt	(318,220)	-
Gain on disposal of assets	22,723	11,186
Paying agent and trustee fees	(16,446)	(8,748)
Aviation fuel taxes	909,148	85,108
Other nonoperating income	164,021	60,085
	4,869,818	4,373,116
Increase in Net Position Before Capital Contributions and Grants	268,267	990,591
Capital Contributions and Grants		
Federal, state and local grants	4,379,192	6,777,321
Contributions from lessees	2,170,560	1,902,334
	6,549,752	8,679,655
Increase in Net Position	6,818,019	9,670,246
Net Position, Beginning of Year	354,693,888	345,023,642
Net Position, End of Year	$ 361,511,907	$ 354,693,888

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Receipts from providing services	$ 31,048,602	$ 30,786,117
Payments to vendors for goods and services	(10,246,526)	(10,520,960)
Payments of salaries, wages and benefits	(11,260,284)	(10,049,497)
Net cash provided by operating activities	9,541,792	10,215,660
Noncapital Financing Activities		
Operating grants received	314,605	358,928
Aviation fuel taxes	909,148	85,108
Nonoperating reimbursements	164,021	60,085
Net cash provided by noncapital financing activities	1,387,774	504,121
Capital and Related Financing Activities		
Principal paid on bonds	(9,967,179)	(1,160,000)
Interest paid on bonds	(429,059)	(407,813)
Reacquisition costs on the extinguishment of debt	(318,220)	-
Proceeds from sale of capital assets	22,723	11,186
Acquisition and construction of capital assets	(11,783,294)	(12,207,191)
Receipts from federal and state grants	6,911,694	5,092,316
Receipts from passenger facility charges	3,775,320	4,097,624
Amounts paid for agent and trustee fees	(16,446)	(8,748)
Net cash used in capital and related financing activities	(11,804,461)	(4,582,626)
Investing Activities		
Interest received on cash equivalents	270,189	201,345
Net cash provided by investing activities	270,189	201,345
Net Change in Cash and Cash Equivalents	(604,706)	6,338,500
Cash and Cash Equivalents, Beginning of Year	37,850,037	31,511,537
Cash and Cash Equivalents, End of Year	$ 37,245,331	$ 37,850,037

See Notes to Financial Statements

	2015	2014
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (4,601,551)	$ (3,382,525)
Item not requiring cash		
Depreciation expense	14,459,027	13,929,312
Change in assets and liabilities:		
Accounts receivable	(189,167)	137,821
Prepaid expenses	(21,444)	(82,301)
Accounts payable	(38,519)	(467,155)
Accrued expenses and other current liabilities	(66,554)	80,508
Net cash provided by operating activities	$ 9,541,792	$ 10,215,660
Noncash Capital and Related Financing Activities		
Capital assets contributed by lessees	$ 2,170,560	$ 1,902,334
Supplemental Cash Flows Information		
Changes in payables for acquisition and construction of capital assets and improvements	$ (470,188)	$ (997,131)

Note 1: Nature of Organization and Summary of Significant Accounting Policies

The Bill and Hillary Clinton National Airport (the Airport) is under the management and control of the Little Rock Municipal Airport Commission (the Commission). It consists of seven members who are appointed by the City of Little Rock (City) Board of Directors in accordance with state law (A.C.A. § 14-359-105). The Commission has the general power to, among other things: (a) acquire, develop and operate all property, plant and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of the Airport; and (c) fix, regulate and collect rates and charges for the use of the Airport. The Executive Director serves at the pleasure of the Commission as the chief executive responsible for the operation of the Airport. The Executive Director hires a management team to assist him in that responsibility. Any indebtedness is payable solely from the revenues of the Airport, and the Airport has no ability to levy taxes. Under federal guidelines, all revenues generated by the Airport, must be used for airport purposes.

Financial Reporting Entity

The Airport is considered to be a component unit of the City. The Airport has based this determination on the fact that the City is financially accountable for the Commission. Financial accountability is evidenced by the following:

a. The Commissioners are appointed by the mayor and confirmed by three-fourths vote of the elected and qualified members of the city council (Airport Commission Act, A.C.A. § 14-359-105 et seq.).

b. Any Commissioner appointed by the mayor and confirmed by three-fourths vote of the elected and qualified members of the city council may be removed upon a three-fourths vote of the elected and qualified members of the city council (Airport Commission Act, A.C.A. § 14-359-106 et seq.).

Basis of Accounting and Financial Reporting

The financial statements consist of a single-purpose business-type activity, which is reported on the accrual basis of accounting using the economic resources measurement focus.

The Airport prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates

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

Cash Equivalents

For purposes of the statements of cash flows, the Airport considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents. Cash equivalents at December 31, 2015 and 2014, consisted of money market accounts with brokers.

Investment Securities

Investment securities are stated at fair value, based on quoted market prices. Changes in the fair value of investments, if any, are reported as nonoperating revenues in the statement of revenues, expenses and changes in net position.

Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on collection history, aviation industry trends and current information regarding the creditworthiness of the tenants and others doing business with the Airport.

Passenger Facility Charges

The Federal Aviation Administration's Passenger Facility Charge (PFC) Program allows the Airport to impose and use PFC fees up to $4.50 for every enplaned passenger. The Airport requests collection authority from the Federal Aviation Administration (FAA) by submitting eligible capital projects that will enhance safety, security or capacity; reduce noise; or increase air carrier competition. PFCs, which are recognized as earned, are included in nonoperating revenues and amounted to $3,866,346 and $4,060,722 for December 31, 2015 and 2014, respectively.

Customer Facility Charges (Rental Cars)

The Airport imposes a per contract day fee payable by customers, accounted for, and remitted by rental car agencies as established by Resolution. Actual customer facility charge (CFC) revenues received by the Airport in accordance with the requirements of the resolution are used to pay for any legal use including, but not limited to, rental car facility expenses, operating and maintenance costs, facility rent, debt service, operating and maintenance expense reserve, and future costs associated with the rental car facility's capital reserve fund. The $3.50 CFC became effective December 2009. CFC revenue totaled $2,469,780 and $2,419,357 for the years ended December 31, 2015 and 2014, respectively.

Inventories

Purchases of materials and supplies are charged to expenses as incurred, as such amounts are immaterial.

Rental Income

All leases wherein the Airport is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Airport may, from time to time, have leases that provide for waived rent during the initial period of the lease and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, the related rental income for leases for which the rental income stream is not systematic, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

Lessee-Financed Improvements

Certain leases include provisions whereby lessee-financed improvements become the property of the Airport. Generally, the Airport records lessee-financed improvements only upon leasehold reversion or lease termination, at which time the improvements are capitalized at fair value and recorded as contribution income. Lessee-financed improvements that reverted to the Airport totaled $2,170,560 and $1,902,334 for the years ended December 31, 2015 and 2014, respectively.

Capital Assets

Capital assets are defined by the Airport as assets with an initial individual cost of more than $5,000. Capital assets purchased by the Airport are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

Buildings and leasehold improvements	10–40 years
Machinery and equipment	3–15 years
Improvements other than buildings	5–20 years
Equipment, furniture and fixtures and other	3–10 years
Ramps, runways, taxiways and improvements	10–50 years

Capitalized Interest

Interest incurred during construction periods is capitalized and included in the cost of property and equipment. Interest capitalized on projects funded by internally generated funds is based on the weighted-average borrowing rate of the Airport and actual expenditures during the period of construction. Interest capitalized on projects funded from bond proceeds is based on the interest cost of the specific borrowing, less interest earned on unspent, construction-related bond proceeds during the construction period. Interest is not capitalized on project costs that are reimbursed from approved government grants and/or PFCs.

Interest expense for the Airport was $342,548 and $395,560 for the years ended December 31, 2015 and 2014 respectively, while interest capitalized as part of the cost of constructed assets was $88,139 and $88,183, respectively.

Deferred Outflows of Resources

The Airport defers recognition of losses incurred on debt refundings and reports such losses as deferred outflows of resources in the balance sheets. Deferred losses on debt refundings are amortized using the effective interest method over the lesser of the remaining life of the original bonds or the life of the new bonds.

Bond Discounts and Premiums

Original issue discounts or premiums on bonds are amortized using the interest method over the lives of the bonds to which they relate.

Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated paid time off (PTO) is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Non-exempt employees earn PTO at the rate of 4.62% of hours worked per pay period for the first 12 months, 6.16% for years one through four, 10.00% for years five through nine and 13.85% for 10 years and beyond. Exempt employees earn PTO at the rate of 15 days for the first 12 months, 24 days for years one through four, 30 days for years five through nine and 36 days for 10 years and beyond. Upon accumulation of 160 hours (20 days), at least 40 hours (five days) of PTO must be taken each calendar year or it will be forfeited. The maximum PTO carryover from year to year is 360 hours (45 days). Employees will be paid for those hours (days) in excess of 360 (45 days) at the beginning of the following year.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Arkansas Department of Aeronautics. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

From time to time, the Airport disposes of land or other assets which were originally purchased with federal assistance. In accordance with the Airport Improvement Program (AIP), the Airport must reinvest the federal government's proportionate share of the proceeds realized from the sale or exchange of such assets in approved AIP projects or return such amounts to the federal government.

Revenue and Expense Recognition

Revenues from airlines, concessionaires, lessees and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, including depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

Voluntary nonexchange transactions, such as grants and contributions, are generally recognized as revenues in the period when all eligibility requirements have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

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

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Cash, Cash Equivalents and Investment Securities

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Airport's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

At December 31, 2015 and 2014, none of the Airport's bank balances were exposed to custodial credit risk. The Airport's deposit policy for custodial risk requires compliance with the provisions of state law.

Investments

State statutes authorize the Airport to invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and in bank repurchase agreements.

At December 31, 2015 the Airport had no investments. At December 31, 2014, the Airport had the following investments and maturities:

	December 31, 2014				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Money market mutual funds	$ 2,517,392	$ 2,517,392	$ -	$ -	$ -
	$ 2,517,392	$ 2,517,392	$ -	$ -	$ -

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates for debt securities will adversely affect the value of an investment. The Airport's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Airport's investment policy does not directly address credit risk. At December 31, 2014, the Airport's investments were rated as follows:

Investment Type	Rating Agency	Rating
Money Market Mutual Funds	S&P/Moody's	AAA/Aaa

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Airport's investment policy does not directly address custodial credit risk. At December 31, 2014, the Airport's money market mutual funds are not subject to custodial credit risk since their existence is not evidenced by securities that exist in physical book entry form.

Summary of Carrying Values

Cash, cash equivalents and investment securities included in the balance sheets are classified as follows:

	2015	2014
Carrying value		
Deposits	$ 37,245,331	$ 35,332,645
Investments	-	2,517,392
	$ 37,245,331	$ 37,850,037
Included in balance sheets		
Current assets		
Cash and cash equivalents	$ 24,884,329	$ 17,883,780
Restricted cash and cash equivalents – current	-	514,132
Noncurrent assets		
Cash and cash equivalents – restricted	12,361,002	19,452,125
	$ 37,245,331	$ 37,850,037

Restricted Cash, Cash Equivalents and Investment Securities

Cash, cash equivalents and investment securities are restricted as follows:

	2015	2014
Revenue Bond Interest and Principal Funds	$ -	$ 514,132
Revenue Bond Reserve Funds	-	1,132,327
Construction Project Accounts	-	870,933
Passenger Facility Charge Fund	12,361,002	17,448,865
	$ 12,361,002	$ 19,966,257

The Passenger Facility Charge Fund has been established in accordance with Title 14, Part 158 of Federal Regulations. Other funds and accounts noted above have been established in accordance with the Airport's Master Trust Indenture dated October 1, 1994, as amended, and supplemented from time to time by Supplemental Indentures (collectively, the Master Indenture).

The Master Indenture provides, among other things, that certain accounting procedures be followed and certain funds be established to provide bond holders a degree of security against certain contingencies. Brief descriptions of these funds follow.

Revenues of the Airport are deposited into the Revenue Fund and are disbursed in accordance with the Airport's annual budget to provide for current operations and maintenance expenses. Such deposits are also used to replenish balances in other funds to their required levels under the Master Indenture.

Revenues are generally defined in the Master Indenture to include all revenues, fees, income, rents and receipts derived by the Airport from the use of the Airport, including without limitation any use arrangements or lease agreements, or from the sale of any property of the Airport permitted under the Master Indenture.

Revenues do not include grants-in-aid, proceeds received from insurance resulting from casualty damage to assets of the Airport, rental or other charges (other than ground rental) derived from a lease or leases relating to Special Purpose Facilities, the proceeds from the sale of bonds or other obligations issued for Airport purposes, PFCs or interest earned on PFCs. Amounts in the Revenue Fund are pledged to secure the Airport's Revenue Bonds, but all current operations and maintenance expenses of the Airport System are paid prior to debt service on the Airport's Revenue Bonds.

Assets included in the Bond Accounts and Debt Service Reserve Accounts of the Principal and Interest Fund are used for the payment of bond principal, interest and redemption premiums on the Airport's Revenue Bonds. The working capital shall be maintained at a balance not less than an amount reasonably estimated to pay the operation and maintenance costs of the Airport for three calendar months. All remaining net revenues of the Airport are available to pay capital costs and major maintenance expenses.

Monies held in the Airport's Construction Project Accounts are intended to pay the costs necessary to accomplish the specific capital projects contemplated under each series of Revenue Bonds.

The Airport's Passenger Facility Charge Fund provides for the segregation of PFC receipts, as required by the FAA. Such revenues are to be expended only for FAA-approved capital projects, or to repay debt issued for eligible capital projects, under a Record of Decision granted by the FAA.

In order to assure full and continuous performance of the covenants contained in the Master Indenture relating to the punctual payment of debt service and the maintenance of revenues, the Airport has agreed to establish rates and charges for the sale or use of the Airport that, together with other income, are generally expected to result in net revenues that, together with other available funds (if any), are sufficient to provide: (a) 125% of aggregate debt service for the current fiscal year; (b) 100% of the amounts, if any, required by the Master Indenture to be deposited into the Debt Service Reserve Accounts during the forthcoming fiscal year. Other Available Funds are generally defined in the Master Indenture as amounts including, but not limited to, lease revenues on special purpose facilities and proceeds from the sale of assets available for use throughout the applicable fiscal year, but not exceeding 125% of aggregate debt service for such fiscal year, plus PFC receipts.

Note 3: Grants Receivable

Grants receivable from government agencies represent reimbursements due from the federal government for allowable costs incurred on federal award programs. Grants receivable at December 31, 2015 and 2014, consist of:

	2015	2014
Federal Aviation Administration	$ 2,914,965	$ 2,968,214
U.S. Department of Homeland Security	16,142	2,495,395
	$ 2,931,107	$ 5,463,609

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2015 and 2014, is as follows:

	2015				
	Beginning Balance	Additions	Disposals	Transfers/ Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land	$ 63,988,233	$ 1,252,086	$ -	$ 942,369	$ 66,182,688
Construction in progress	9,289,813	7,480,081	-	(7,533,314)	9,236,580
Total capital assets, not being depreciated	73,278,046	8,732,167	-	(6,590,945)	75,419,268
Capital assets, being depreciated:					
Buildings and improvements:					
Buildings, improvements	354,436,572	1,227,423	23,090	1,268,998	356,909,903
Airport pavement	33,329,983	64,906	-	4,778,944	38,173,833
Other improvements	4,982,983	2,576,382	-	508,742	8,068,107
	392,749,538	3,868,711	23,090	6,556,684	403,151,843
Equipment, furniture and fixtures:					
Furniture, fixtures	1,981,687	-	8,636	34,261	2,007,312
Equipment	13,600,738	354,296	141,264	-	13,813,770
Rolling stock	1,843,063	152,053	27,083	-	1,968,033
Fire trucks	2,116,820	-	-	-	2,116,820
IT systems	307,550	379,270	-	-	686,820
	19,849,858	885,619	176,983	34,261	20,592,755
Total capital assets, being depreciated	412,599,396	4,754,330	200,073	6,590,945	423,744,598
Less accumulated depreciation					
Buildings and improvements	151,429,038	13,070,069	23,090	-	164,476,017
Equipment, furniture and fixtures	9,389,430	1,388,958	174,152	-	10,604,236
Total accumulated depreciation	160,818,468	14,459,027	197,242	-	175,080,253
Total capital assets, being depreciated, net	251,780,928	(9,704,697)	2,831	6,590,945	248,664,345
Capital assets, net	$ 325,058,974	$ (972,530)	$ 2,831	$ -	$ 324,083,613

	2014				
	Beginning Balance	Additions	Disposals	Transfers/ Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land	$ 61,795,295	$ 158,300	$ -	$ 2,034,638	$ 63,988,233
Construction in progress	15,137,137	10,203,992	-	(16,051,316)	9,289,813
Total capital assets, not being depreciated	149,195,911	10,362,292	-	(14,016,678)	73,278,046
Capital assets, being depreciated:					
Buildings and improvements:					
Buildings, improvements	338,863,978	1,928,760	8,433	13,652,267	354,436,572
Airport pavement	32,979,626	32,133	-	318,224	33,329,983
Other improvements	4,964,757	123	-	18,103	4,982,983
	376,808,361	1,961,016	8,433	13,988,594	392,749,538
Equipment, furniture and fixtures:					
Furniture, fixtures	2,028,588	-	66,255	19,354	1,981,687
Equipment	13,570,680	184,995	163,667	8,730	13,600,738
Rolling stock	1,636,125	290,575	83,637	-	1,843,063
Fire trucks	2,101,681	15,139	-	-	2,116,820
IT systems	-	307,550	-	-	307,550
	19,337,074	798,259	313,559	28,084	19,849,858
Total capital assets, being depreciated	396,145,435	2,759,275	321,992	14,016,678	412,599,396
Less accumulated depreciation					
Buildings and improvements	138,839,294	12,598,176	8,432	-	151,429,038
Equipment, furniture and fixtures	8,362,681	1,331,136	304,387	-	9,389,430
Total accumulated depreciation	147,201,975	13,929,312	312,819	-	160,818,468
Total capital assets, being depreciated, net	248,943,460	(11,170,037)	9,173	14,016,678	251,780,928
Capital assets, net	$ 398,139,371	$ (807,745)	$ 9,173	$ -	$ 325,058,974

Note 5: Long-Term Debt

Long-term debt activity of the Airport during the years ended December 31, 2015 and 2014, consisted of:

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
Revenue bonds payable	$ 9,960,000	$ -	$ (9,960,000)	$ -	$ -
Unamortized discount/premium	63,739	-	(63,739)	-	-
	$ 10,023,739	$ -	$ (10,023,739)	$ -	$ -

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
Revenue bonds payable	$ 11,120,000	$ -	$ (1,160,000)	$ 9,960,000	$ 1,565,000
Unamortized discount/premium	112,241	-	(48,502)	63,739	48,977
	$ 11,232,241	$ -	$ (1,208,502)	$ 10,023,739	$ 1,613,977

Revenue Bonds

The Airport's Revenue Bonds are not general obligations, but are limited obligations of the Airport payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Airport, the City of Little Rock, the State of Arkansas, or any political subdivision or public agency of the State, other than the Airport, to the extent of net revenues, is pledged to the payment of the Airport Revenue Bonds.

In July 2003, the City of Little Rock, acting on behalf of the Airport, issued its Airport Revenue Refunding Bonds, Series 2003 (the 2003 Bonds) in the amount of $7,060,000. The proceeds from the 2003 Bonds were used to current refund $3,540,000 in outstanding principal of the City of Little Rock, Arkansas Airport Revenue Refunding Bonds, Series 1994, and to advance refund $4,020,000 in outstanding principal of the City of Little Rock, Arkansas, Airport revenue Refunding Bonds, Series 1995, to fund a debt service reserve and to pay costs of issuance. The 2003 Bonds were issued with interest rates ranging from 3.75% to 5%.

In January 2007, the City of Little Rock, acting on behalf of the Airport, issued its Airport Revenue Refunding and Improvement Bonds, Series 2007A (AMT) and 2007B (Non-AMT) (collectively, the 2007 Bonds) in the amounts of $3,600,000 and $9,115,000, respectively. The proceeds from the 2007 Bonds were used to current refund $3,705,000 in outstanding principal of the City of Little Rock, Arkansas Airport Revenue Bonds, Series 1999, to finance the acquisition of real and personal property and to construct improvements for the Airport, to fund a debt service reserve and to pay costs of issuance. The 2007 Bonds were issued with interest rates ranging from 4% to 4.2%.

Advanced Extinguishment of Debt

In December 2015, the Airport deposited $8,785,480 in an irrevocable trust with an escrow agent to provide funds for the payment of all remaining principal and interest through November 1, 2016, the date the bonds will be fully redeemed. As a result, the 2007 Bonds are considered defeased and the liability for those bonds has been removed from the balance sheets.

The reacquisition price exceeded the net carrying amount of the 2007 Bonds by $318,220. This amount has been recorded as a loss on the extinguishment of debt in the statements of revenues, expenses and changes in net position.

Note 6: Risk Management

Risk management is the responsibility of the Airport. The Airport is exposed to various risks of loss related to the theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport purchases commercial insurance coverage for claims arising from these risks of loss. The insurance is renewed annually on October 1. However, effective January 1, 2002, the Airport did not renew its liability coverage due to the cost of such coverage, opting instead for the existing provision of tort immunity and coverage afforded by the Arkansas Municipal League's Legal Defense Program. The Airport's commercial insurance policies carry deductibles ranging from $500 to $25,000. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 7: Benefit Plans

The Airport has established a 401(a) defined contribution plan to cover all eligible employees. The plan is administered by the Retirement Committee of the Airport and the Airport has the right to amend the plan and contribution requirements. As a condition of employment, each eligible employee must agree to contribute to the plan. The defined contribution plan requires the employer and the employee to contribute 10.00% and 5.00%, respectively, of the employee compensation to the plan. All contributions made by the employee are 100% vested and non-forfeitable at all times. The contributions made by the employer become 100% vested and non-forfeitable after five years of service. In the event of a forfeiture of the account of a participant, the amount forfeited is first used to restore the account of a participant who is rehired, as provided for in the plan documents. If at the end of the plan year the forfeiture account is at least $15,000, the balance of the forfeitures are allocated per capita among all participants who are employed on the last day of the plan year.

The Airport also has a 457(b) deferred compensation plan that was amended in 2013 to require the Airport to match the employee's contribution up to 3%. However, the matching contribution made by the Airport is contributed into the 401(a) defined contribution plan. The deferred compensation plan is available to substantially all employees of the Airport. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or an unforeseeable emergency. An employee is fully vested at all times in this plan and the benefits are non-forfeitable at all times. The plan assets are held in trust for the exclusive benefits of participants and their beneficiaries, and are not the property of the Airport and are not subject to the claims of the Airport's general creditors.

The Airport's contribution to the 401(a) defined contribution plan amounted to $925,497 and $888,146 for the years ended December 31, 2015 and 2014, respectively.

Note 8: Rental Income From Operating Leases

The Airport leases space in the Airport terminal along with other land and buildings on a fixed fee, as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Airport for the purpose of rental or related use.

Minimum future rentals on noncancellable operating leases to be received in each of the next five years and thereafter as of December 31, 2015, are as follows:

2016	$ 6,241,724
2017	4,228,599
2018	4,209,443
2019	3,335,478
2020	3,329,156
Thereafter	53,789,377
	$ 75,133,777

Note 9: Commitments and Contingencies

Capital Improvements

The Airport is committed to various capital improvements, which will result in future obligations that are significant in amount. The future obligations for the contracts will be paid from available funds or will qualify for PFC reimbursement, FAA grants, Transportation Security Administration grants or Arkansas Department of Aeronautics grants.

At December 31, 2015, the Airport had the following commitments:

	Project Authorization	Expended Through December 31, 2015	Remaining Commitment
Airfield	$ 18,937,879	$ 5,197,192	$ 13,740,687
Terminal	20,644,213	3,786,855	16,857,358
Parking and Roadways	2,744,478	173,172	2,571,306
Total	$ 42,326,570	$ 9,157,219	$ 33,169,351

Litigation and Claims

The nature of the business of the Airport generates certain litigation against the Airport arising in the ordinary course of business. However, the Airport believes that the ultimate outcome of these matters, in the aggregate or individually, should not have a materially adverse effect on its financial position or changes in financial position.

Note 10: Related Party Transactions

The Airport operates as a component unit of the City of Little Rock, Arkansas. Accordingly, there are certain related party transactions that exist between the two entities. For each of the years ended December 31, 2015 and 2014, the Airport reimbursed the City of Little Rock, Arkansas, for approximately $3.3 million in expenses incurred on behalf of the Airport. Payments included contracted police and fire services and reimbursement for utility costs associated with on-airport lighting.

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STATISTICAL
SECTION

The Statistical Section's objective is to provide users of the Airport's financial statements with additional historical perspective, context, and detail to assist in using the information presented in the financial statements, notes to the financial statements, and supplemental information to assess the financial condition of the Airport.

STATISTICAL SECTION (UNAUDITED)
FISCAL YEAR ENDED DECEMBER 31, 2015

The Statistical Section provides information with up to ten years of comparable data.

FINANCIAL TRENDS AND REVENUE CAPACITY

The financial trend schedules depict the financial position of LIT over the years. The information provided allows for an understanding of how revenues and expenses have changed over the years. The revenue capacity schedules present the significant sources of LIT's operating revenues.

DEBT CAPACITY

The schedules present LIT's outstanding debt over the years, related debt service ratios, and LIT's ability to repay the outstanding debt and ability to issue additional debt in the future.

OPERATING INFORMATION

The schedules provide information on the distribution of LIT's carriers, passenger traffic, airport personnel, and capital assets.

DEMOGRAPHIC AND ECONOMIC DATA

The schedules offer demographic and economic indicators to help readers understand the environment within which LIT's financial activities occur.

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Net Position by Component
Fiscal Years Ended December 31

	2015	2014	2013	2012	2011
Net Position					
Net investment in capital assets	$ 322,340,670	$ 312,867,506	$ 311,522,353	$ 260,583,852	$ 231,881,367
Restricted for:					
Debt Service	-	2,442,039	3,201,793	5,025,266	5,873,623
Capital projects	12,740,299	17,737,136	16,789,709	19,131,475	28,569,414
Unrestricted	26,430,938	21,647,207	13,509,787	27,841,237	26,424,403
Total net position	$ 361,511,907	$ 354,693,888	$ 345,023,642	$ 312,581,830	$ 292,748,807

	2010	2009	2008	2007	2006
Net Position					
Net investment in capital assets	$ 216,514,933	$ 202,376,277	$ 187,291,345	$ 179,209,502	$ 175,527,590
Restricted for:					
Debt Service	6,115,070	6,576,831	10,864,110	13,072,054	6,619,464
Capital projects	30,075,637	27,661,055	23,487,744	21,415,039	16,554,435
Unrestricted	23,883,278	22,657,321	23,250,989	15,840,195	16,375,841
Total net position	$ 276,588,918	$ 259,271,484	$ 244,894,188	$ 229,536,790	$ 215,077,330

Source: Airport audited financial statements

Changes in Net Position
Fiscal Years Ended December 31

	2015	2014	2013	2012	2011
Operating Revenues					
Airline revenues	$ 10,196,487	$ 9,868,930	$ 9,514,753	$ 8,071,457	$ 8,072,734
Nonairline revenues	21,041,282	20,779,366	21,114,137	20,949,826	19,449,781
Total operating revenues	31,237,769	30,648,296	30,628,890	29,021,283	27,522,515
Operating Expenses					
Salaries, wages and employee benefits	11,193,730	10,130,005	9,632,395	8,696,469	7,903,938
Services and supplies	5,027,857	5,125,363	5,434,107	5,123,392	4,381,345
Maintenance and repairs	1,265,116	1,111,564	1,071,833	675,612	987,523
Utilities	1,867,845	1,974,685	1,784,159	1,685,278	1,728,233
Other	2,025,745	1,759,892	1,922,201	1,533,490	1,293,400
Total operating expenses	21,380,293	20,101,509	19,844,695	17,714,241	16,294,439
Operating income before depreciation	9,857,476	10,546,787	10,784,195	11,307,042	11,228,076
Depreciation	14,459,027	13,929,312	12,014,349	11,219,709	10,654,708
Operating income (loss)	(4,601,551)	(3,382,525)	(1,230,154)	87,333	573,368
Nonoperating Revenue (Expenses)					
Passenger facility charges	3,866,346	4,060,772	4,307,994	4,716,821	4,582,970
Federal operating grants	314,604	358,928	264,963	326,200	31,231
Interest income	270,189	201,345	191,195	150,997	177,198
Interest expense	(660,768)	(395,560)	(377,462)	(1,213,058)	(1,328,827)
Gain (loss) on disposal of assets	22,723	11,186	(91,543)	96,268	(22,697)
Paying agents and trustees	(16,446)	(8,748)	(8,092)	(64,415)	(18,976)
Other nonoperating revenue (expense)	1,073,169	145,193	2,765,321	(652,590)	-
	4,869,817	4,373,116	7,052,376	3,360,223	3,420,899
Income (Loss) Before Capital Contributions	268,266	990,591	5,822,222	3,447,556	3,994,267
Federal, state and local grants	4,379,192	6,777,321	5,963,917	13,467,228	8,361,058
Contributions from lessees	2,170,560	1,902,334	13,117,864	2,918,239	3,804,564
Increase in Net Position	6,818,018	9,670,246	24,904,003	19,833,023	16,159,889
Net position, Beginning of Year*	354,693,888	345,023,642	320,119,639	292,748,807	276,588,918
Net Position, End of Year	$ 361,511,906	$ 354,693,888	$ 345,023,642	$ 312,581,830	$ 292,748,807

Source: Airport audited financial statements

** In 2013, the Airport restated beginning net position for GASB 65 and prior period adjustments totaling $7,537,809.*

	2010	2009	2008	2007	2006
Operating Revenues					
Airline revenues	$ 8,153,611	$ 8,029,349	$ 8,973,551	$ 6,520,064	$ 5,973,987
Nonairline revenues	17,156,226	15,293,964	15,813,241	15,388,966	13,873,412
Total operating revenues	25,309,837	23,323,313	24,786,792	21,909,030	19,847,399
Operating Expenses					
Salaries, wages and employee benefits	7,806,594	7,779,894	7,350,994	7,140,047	5,968,493
Services and supplies	3,982,900	3,679,841	5,577,843	5,245,119	5,651,156
Maintenance and repairs	1,187,713	1,036,633	943,362	805,721	874,962
Utilities	1,549,086	1,696,671	1,738,131	1,450,193	1,376,059
Other	1,441,397	1,170,446	1,193,969	930,942	772,265
Total operating expenses	15,967,690	15,363,485	16,804,299	15,572,022	14,642,935
Operating income before depreciation	9,342,146	7,959,828	7,982,493	6,337,008	5,204,464
Depreciation	10,211,882	9,766,686	7,056,684	7,038,443	6,573,038
Operating income (loss)	(869,736)	(1,806,858)	925,809	(701,435)	(1,368,574)
Nonoperating Revenue (Expenses)					
Passenger facility charges	4,715,232	4,882,731	5,327,845	6,051,964	5,835,624
Federal operating grants	291,041	(2,357,757)	330,011	320,090	-
Interest income	303,027	398,848	643,961	1,407,997	1,308,292
Interest expense	(1,435,651)	(1,534,716)	(1,659,148)	(1,744,635)	(1,447,301)
Gain (loss) on disposal of assets	23,058	(3,319)	(11,209)	-	(13,937)
Paying agents and trustees	(13,505)	(8,505)	(8,327)	(13,505)	(8,395)
Other nonoperating revenue (expense)	(80,540)	(38,733)	39,937	24,173	(10,236)
	3,802,662	1,338,549	4,663,070	6,046,084	5,664,047
Income (Loss) Before Capital Contributions	2,932,926	(468,309)	5,588,879	5,344,649	4,295,473
Federal, state and local grants	10,576,263	11,221,953	7,520,336	6,770,015	8,087,528
Contributions from lessees	3,808,245	3,623,652	2,248,183	2,344,796	2,385,141
Increase in Net Position	17,317,434	14,377,296	15,357,398	14,459,460	14,768,142
Net position, Beginning of Year*	259,271,484	244,894,188	229,536,790	215,077,330	200,309,188
Net Position, End of Year	$ 276,588,918	$ 259,271,484	$ 244,894,188	$ 229,536,790	$ 215,077,330

Source: Airport audited financial statements

Operating Revenues and Ratios
Fiscal Years Ended December 31

	2015	2014	2013	2012	2011
Airline revenues					
Landing fees	$ 4,992,768	$ 5,132,689	$ 5,041,447	$ 5,244,308	$ 5,252,828
Terminal building rentals [1]	5,028,594	4,592,916	4,327,956	2,602,749	2,584,307
Facility use fees	175,125	143,325	145,350	224,400	235,600
Total airline revenues	10,196,487	9,868,930	9,514,753	8,071,457	8,072,735
Parking and roadway operations					
Parking fees	9,121,334	9,434,927	9,461,106	9,203,938	8,924,613
Ground transportation	104,137	102,849	94,244	103,745	85,312
	9,225,471	9,537,776	9,555,350	9,307,683	9,009,925
Concession revenues					
Rental car percentage fees	3,443,710	3,546,003	3,445,881	3,631,297	3,301,949
Terminal concession revenues	1,182,673	1,248,579	1,168,894	1,345,929	1,179,707
	4,626,383	4,794,581	4,614,775	4,977,226	4,481,656
Building rentals					
Terminal	253,332	251,286	245,133	240,234	263,276
Rental car	485,363	345,976	232,378	120,633	-
Other buildings	1,379,083	1,275,791	1,326,108	1,326,457	1,574,566
	2,117,778	1,873,052	1,803,618	1,687,324	1,837,842
Land Leases	1,826,476	1,541,500	1,766,950	1,769,942	1,126,085
Other Revenues					
Rental car CFC [2]	2,469,780	2,419,357	2,489,028	2,562,711	2,541,945
Services sold	375,275	336,260	330,424	323,652	205,023
General aviation activity	285,027	166,748	151,562	154,916	136,052
Other	115,092	110,091	272,062	166,372	111,252
	3,245,174	3,032,456	3,243,077	3,207,651	2,994,272
Total nonairline revenues	21,041,282	20,779,365	20,983,770	20,949,826	19,449,782
Total Operating Revenues	$ 31,237,769	$ 30,648,296	$ 30,498,523	$ 29,021,283	$ 27,522,517
Enplaned passengers	996,837	1,038,307	1,085,323	1,147,886	1,102,739
Total Operating Revenue per Enplaned Passenger	$ 31.34	$ 29.52	$ 28.10	$ 25.28	$ 24.96
Airline Revenue per Enplaned Passenger [3]	$ 9.68	$ 9.03	$ 8.34	$ 6.63	$ 6.82

Source: Airport audited financial statements

Notes:

(1) Effective Dec 2009, Airline revenues change from a residual to a compensatory rate setting methodology set by Resolution.

(2) Beginning Dec 2010, a $3.50 per transaction day Customer Facility Charge is imposed on rental car agencies.

(3) Airline revenues adjusted to exclude cargo landing fees.

	2010	2009	2008	2007	2006
Airline revenues					
Landing fees	$ 5,325,861	$ 5,262,802	$ 6,428,738	$ 4,153,090	$ 3,793,257
Terminal building rentals [1]	2,582,400	2,521,696	2,450,705	2,293,206	2,180,730
Facility use fees	245,350	244,850	94,108	73,768	-
Total airline revenues	8,153,611	8,029,349	8,973,551	6,520,064	5,973,987
Parking and roadway operations					
Parking fees	9,058,860	7,427,281	7,809,261	7,870,850	6,671,448
Ground transportation	133,135	101,876	104,460	105,710	106,709
	9,191,995	7,529,156	7,913,720	7,976,560	6,778,156
Concession revenues					
Rental car percentage fees	3,188,670	3,150,924	3,438,454	3,452,778	3,434,417
Terminal concession revenues	1,175,092	1,162,632	1,232,965	1,121,617	988,222
	4,363,762	4,313,556	4,671,419	4,574,396	4,422,639
Building rentals					
Terminal	357,369	381,996	383,718	337,472	331,431
Rental car	-	-	-	-	-
Other buildings	1,522,458	1,498,303	1,459,545	1,225,594	1,195,227
	1,879,827	1,880,299	1,843,263	1,563,066	1,526,658
Land Leases	1,132,066	1,148,834	1,044,890	1,024,767	882,136
Other Revenues					
Rental car CFC [2]	138,502	-	-	-	-
Services sold	181,221	171,884	86,649	53,118	55,124
General aviation activity	122,777	113,037	154,053	137,802	136,720
Other	146,076	137,198	99,246	59,258	71,980
	588,576	422,119	339,949	250,178	263,824
Total nonairline revenues	17,156,226	15,293,964	15,813,242	15,388,967	13,873,413
Total Operating Revenues	$ 25,309,837	$ 23,323,313	$ 24,786,792	$ 21,909,030	$ 19,847,399
Enplaned passengers	1,124,703	1,134,970	1,193,502	1,267,697	1,275,055
Total Operating Revenue per Enplaned Passenger	$ 22.50	$ 20.55	$ 20.77	$ 17.28	$ 15.57
Airline Revenue per Enplaned Passenger [3]	$ 6.81	$ 6.64	$ 6.92	$ 5.14	$ 4.69

Operating Expenses and Ratios
Fiscal Years Ended December 31

	2015	2014	2013	2012	2011
Operating Expenses by Type					
Salaries, wages & employee benefits	$ 11,193,730	$ 10,130,005	$ 9,632,395	$ 8,696,469	$ 7,903,938
Professional and contractual services	4,188,836	4,265,209	4,493,246	4,289,498	4,054,917
Buildings and grounds maintenance	523,859	359,459	303,231	284,283	896,900
Equipment repair and maintenance	741,257	752,105	768,602	385,180	90,622
Marketing & public affairs	246,543	112,667	324,732	205,583	212,215
Utilities	1,867,845	1,974,685	1,784,159	1,685,278	1,728,233
Materials and supplies	839,021	860,154	940,861	833,903	326,428
Insurance	378,709	371,617	364,230	363,203	333,234
Other	1,400,493	1,275,608	1,233,239	970,854	747,951
Total Operating Expenses by Type	$ 21,380,293	$ 20,101,509	$ 19,844,695	$ 17,714,251	$ 16,294,438
Operating Expenses by Cost Center					
Administration	5,312,377	4,880,682	5,118,962	4,231,225	3,692,663
Airfield	6,175,519	5,533,395	5,552,164	5,175,507	4,824,153
Terminal	7,405,937	7,126,578	6,968,891	6,379,287	5,749,614
Parking	1,432,751	1,415,008	1,498,203	1,479,152	1,467,003
Shuttle	251,376	292,283	229,145	212,817	200,272
Rental Car	103,771	99,842	7,499	4,170	591
Commercial/Industrial	698,562	753,721	469,831	232,093	360,142
Total Operating Expenses by Cost Center	$ 21,380,293	$ 20,101,509	$ 19,844,695	$ 17,714,251	$ 16,294,438
Enplaned passengers	996,837	1,038,307	1,085,323	1,147,886	1,102,739
Total Operating Expense per Enplaned Passenger	$ 21.45	$ 19.36	$ 18.28	$ 15.43	$ 14.78

Source: Airport audited financial statements

	2010	2009	2008	2007	2006
Operating Expenses by Type					
Salaries, wages & employee benefits	$ 7,796,788	$ 7,771,694	$ 7,350,994	$ 7,140,047	$ 5,968,493
Professional and contractual services	3,835,643	3,523,660	6,125,539	5,859,205	6,323,508
Buildings and grounds maintenance	1,187,713	1,036,632	1,425,042	1,008,767	874,962
Equipment repair and maintenance	-	-	-	-	-
Marketing & public affairs	355,711	292,825	-	-	-
Utilities	1,549,086	1,696,671	1,738,131	1,450,193	1,376,059
Materials and supplies	147,257	156,181	164,593	113,810	99,913
Insurance	336,148	355,126	-	-	-
Other	749,539	522,495	-	-	-
Total Operating Expenses by Type	$ 15,957,885	$ 15,355,284	$ 16,804,299	$ 15,572,022	$ 14,642,935
Operating Expenses by Cost Center					
Administration	3,923,446	3,689,509	3,453,384	4,010,554	3,389,915
Airfield	4,515,834	4,045,314	4,319,459	3,400,718	3,589,385
Terminal	5,085,187	5,304,982	6,375,003	6,275,971	5,587,368
Parking	2,034,865	1,940,608	2,214,879	1,409,814	1,634,575
Shuttle	189,423	190,837	206,467	226,664	223,420
Rental Car	-	-	-	-	-
Commercial/industrial	209,130	184,034	235,107	248,301	218,272
Total Operating Expenses by Cost Center	$ 15,957,885	$ 15,355,284	$ 16,804,299	$ 15,572,022	$ 14,642,935
Enplaned passengers	1,124,703	1,134,970	1,193,502	1,267,697	1,275,055
Total Operating Expense per Enplaned Passenger	$ 14.19	$ 13.53	$ 14.08	$ 12.28	$ 11.48

Airport Rates, Charges and Fees
Fiscal Years Ended December 31

Airline Rates and Charges

	2015	2014	2013	2012	2011
Landing fee rate (per 1,000 lbs)	$ 3.90	$ 3.65	$ 3.39	$ 3.39	$ 3.39
Terminal building rental rate (per Sq. Ft.)	34.18	31.25	30.34	24.74	24.74
Gate Fee (per turn)	77.90	79.15	75.00	75.00	75.00
Jet Bridge Fee (per turn)	68.50	68.50	25.00	25.00	25.00
Aircraft Ramp Fee	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Remain Overnight (RON) Fee	75.00	75.00	50.00	50.00	50.00

	2010	2009	2008	2007	2006
Landing fee rate (per 1,000 lbs)	$ 3.39	$ 3.39	$ 3.62	$ 2.23	$ 2.08
Terminal building rental rate (per Sq. Ft.)	24.74	24.74	23.38	22.84	23.12
Gate Fee (per turn)	75.00	70.00	59.00	59.00	59.00
Jet Bridge Fee (per turn)	25.00	25.00	-	-	-
Aircraft Ramp Fee	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Remain Overnight (RON) Fee	50.00	50.00	-	-	-

Source: Airport Management Records

Parking Fees (Daily Maximum)

	2015	2014	2013	2012	2011
Parking Deck	$ 13.00	$ 13.00	$ 13.00	$ 13.00	$ 13.00
Short Term Lots (East and West)	13.00	13.00	13.00	13.00	13.00
Long Term Lot (South)	10.00	10.00	10.00	10.00	10.00
Peanut Lot (Economy)	8.00	8.00	8.00	8.00	8.00

	2010	2009	2008	2007	2006
Parking Deck	$ 13.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Short Term Lots (East and West)	13.00	10.00	10.00	10.00	10.00
Long Term Lot (South)	10.00	8.00	8.00	8.00	8.00
Peanut Lot (Economy)	8.00	6.00	6.00	6.00	6.00

Source: Airport Management Records

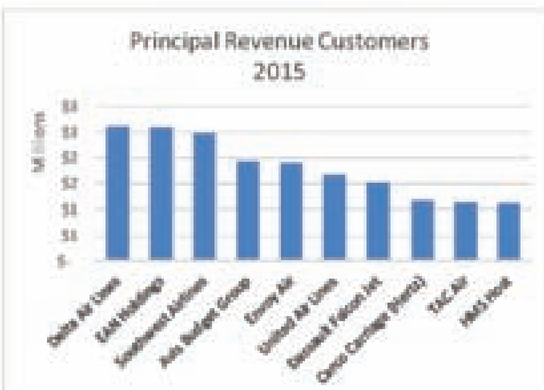
Principal Revenue Customers
Fiscal Years Ended December 31

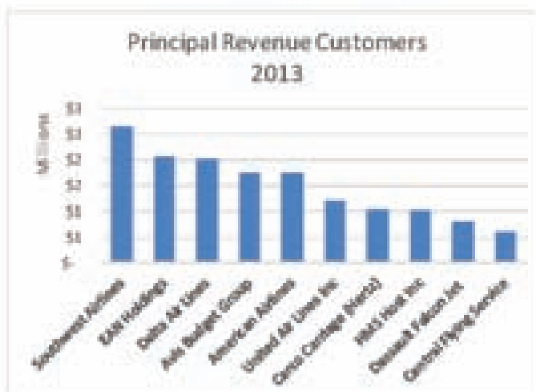
Principal Revenue Customers – 2015

Customer	Customer Revenue	% Total Customer Revenue
Delta Air Lines	$ 2,615,258	11.8%
EAN Holdings	2,588,678	11.7%
Southwest Airlines	2,499,540	11.3%
Avis Budget Group	1,935,365	8.8%
Envoy Air	1,917,452	8.7%
United Air Lines	1,670,826	7.6%
Dassault Falcon Jet	1,503,297	6.8%
Carco Carriage (Hertz)	1,160,010	5.3%
TAC Air	1,138,587	5.2%
HMS Host	1,112,955	5.0%
	$ 18,141,977	82.2%

Principal Revenue Customers – 2013

Customer	Customer Revenue	% Total Customer Revenue
Southwest Airlines	$ 2,652,278	14.4%
EAN Holdings	2,053,107	11.2%
Delta Air Lines	2,010,143	10.9%
Avis Budget Group	1,750,480	9.5%
American Airlines	1,743,461	9.5%
United Air Lines Inc	1,180,416	6.4%
Carco Carriage (Hertz)	1,036,287	5.6%
HMS Host Inc	993,305	5.4%
Dassault Falcon Jet	817,894	4.5%
Central Flying Service	599,539	3.3%
	$ 14,836,910	80.7%





Information prior to 2013 is not available.

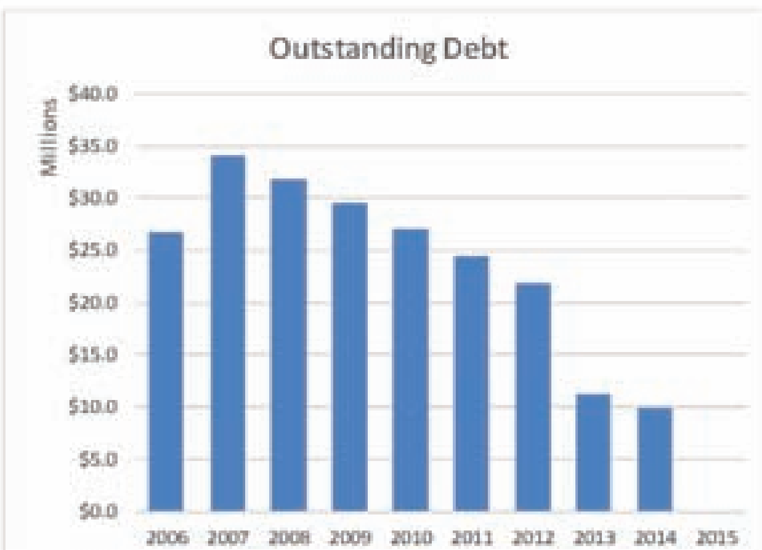
Outstanding Debt by Type and Debt Ratios
Fiscal Years Ended December 31
(in thousands)

	2015[2]	2014	2013[1]	2012	2011
Outstanding Debt per Series					
Series 1999A	$ -	$ -	$ -	$ 9,670	$ 11,225
Series 2003	-	385	1,105	1,795	2,450
Series 2007A	-	3,600	3,600	3,600	3,600
Series 2007B	-	5,975	6,415	6,835	7,240
Unamortized (discount) / premium	-	64	112	(17)	(7)
Total outstanding debt	$ -	$ 10,024	$ 11,232	$ 21,883	$ 24,508
Annual Debt Service					
Principal	$ 10,024	$ 1,565	$ 1,110	$ 2,615	$ 2,515
Interest	661	452	673	1,179	1,290
Total debt service	$ 10,685	$ 2,017	$ 1,783	$ 3,794	$ 3,805
Total enplaned passengers	997	1,038	1,085	1,148	1,103
Outstanding Debt/Enplaned Passenger	$ -	$ 9.65	$ 10.35	$ 19.06	$ 22.22
Debt Service/Enplaned Passenger	$ 10.72	$ 1.94	$ 1.64	$ 3.31	$ 3.45
Outstanding Debt/Personal Income (Metro)	$ -	$ 251.35	$ 276.53	$ 566.89	$ 664.25
Outstanding Debt/Per Capita (Metro)	$ -	$ 13.84	$ 15.65	$ 32.15	$ 34.90

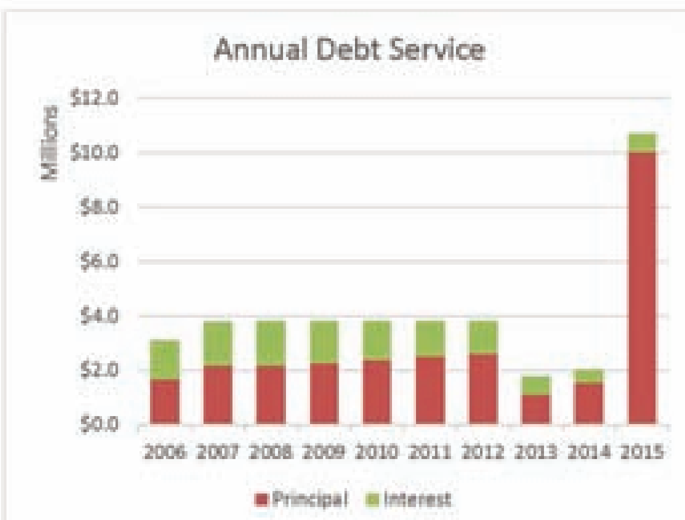
Source: Airport Management Records

(1) Series 1999A Bonds were defeased upon call February 2013.

(2) Series 2007 Bonds were defeased December 2015 upon first call.



	2010	2009	2008	2007	2006
Outstanding Debt per Series					
Series 1999A	$ 12,705	$ 14,115	$ 15,460	$ 16,745	$ 21,675
Series 2003	3,095	3,705	4,280	4,835	5,370
Series 2007A	3,600	3,600	3,600	3,600	-
Series 2007B	7,630	8,005	8,365	8,710	-
Unamortized (discount) / premium	-	17	45	92	(247)
Total outstanding debt	$ 27,030	$ 29,442	$ 31,750	$ 33,982	$ 26,798
Annual Debt Service					
Principal	$ 2,395	2,280	2,185	2,165	1,695
Interest	1,406	1,515	1,610	1,609	1,405
Total debt service	$ 3,801	$ 3,795	$ 3,795	$ 3,774	$ 3,100
Total enplaned passengers	1,125	1,135	1,194	1,268	1,275
Outstanding Debt/Enplaned Passenger	$ 24.03	$ 25.94	$ 26.60	$ 26.81	$ 21.02
Debt Service/Enplaned Passenger	$ 3.38	$ 3.34	$ 3.18	$ 2.98	$ 2.43
Outstanding Debt/Personal Income (Metro)	$ 732.28	$ 786.32	$ 866.33	$ 984.30	$ 820.99
Outstanding Debt/Per Capita (Metro)	$ 39.07	$ 43.18	$ 47.29	$ 51.35	$ 41.30



Revenue Bonds Debt Service Coverage

Fiscal Years Ended December 31

	2015 (2)	2014	2013 (1)	2012	2011
Net revenues					
Operating revenues	$ 31,237,770	$ 30,648,296	$ 30,628,890	$ 29,021,283	$ 27,522,515
Less: operating expenses	(21,380,293)	(20,101,509)	(19,844,695)	(17,714,241)	(16,294,439)
Plus: interest income	270,189	201,345	191,195	150,997	177,198
Net revenues	$ 10,127,666	$ 10,748,132	$ 10,975,390	$ 11,458,039	$ 11,405,274
Annual Debt Service					
Principal (1)	$ 10,023,739	$ 1,565,000	$ 1,110,000	$ 2,615,000	$ 2,515,000
Interest	660,768	452,118	673,174	1,179,060	1,290,040
Total annual debt service	$ 10,684,507	$ 2,017,118	$ 1,783,174	$ 3,794,060	$ 3,805,040
Debt Service Coverage					
Revenue bond debt service coverage	-	5.33	6.15	3.02	3.00
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25

	2010	2009	2008	2007	2006
Net revenues					
Operating revenues	$ 25,309,837	$ 23,323,313	$ 24,786,792	$ 21,909,030	$ 19,847,399
Less: operating expenses	(15,967,690)	(15,363,485)	(16,804,299)	(15,572,022)	(14,642,935)
Plus: interest income	303,027	398,848	643,961	1,407,997	1,308,292
Net revenues	$ 9,645,174	$ 8,358,676	$ 8,626,454	$ 7,745,005	$ 6,512,756
Annual Debt Service					
Principal (1)	$ 2,395,000	$ 2,280,000	$ 2,185,000	$ 2,165,000	$ 1,695,000
Interest	1,406,040	1,514,759	1,609,664	1,608,896	1,404,936
Total annual debt service	$ 3,801,040	$ 3,794,759	$ 3,794,664	$ 3,773,896	$ 3,099,936
Debt Service Coverage					
Revenue bond debt service coverage	2.54	2.20	2.27	2.05	2.10
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25

(1) FY2013 excludes redemption of Series 1999A, $9,670,000.

(2) In FY2015, the Airport deposited $8,785,480 in an irrevocable trust with an escrow agent to provide funds sufficient to defease all its remaining outstanding bonds.

Passenger Airline Daily Flights
Fiscal Years Ended December 31

Airline	Gate	Destination	Daily Flights (at December 31) 2015	2014	2013	2012	2011	2010	2009
Allegiant Air	Gates 6 or 12	Orlando, FL (SFB)	0.3	0.3	0.3	-	-	-	-
		Los Angeles, CA (LAX)	0.1	-	-	-	-	-	-
American Airlines	Gates 1 & 3	Dallas, TX (DFW)	7.0	7.0	7.0	7.0	7.0	7.0	7.0
		Chicago, IL (ORD)	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Gate 8	Charlotte, NC (CLT)	3.0						
	Gate 12	New York (LGA)		1.0	-	-	-	-	-
United Airlines	Gate 5,6 & 7	Denver, CO (DEN)	3.0	2.0	1.0	1.0	1.0	1.0	1.0
		Chicago, IL (ORD)	3.0	3.0	2.0	-	-	-	-
		Houston, TX (IAH)	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Delta Air Lines	Gate 2 &4	Atlanta, GA (ATL)	7.0	7.0	7.0	7.0	7.0	7.0	7.0
		Memphis, TN (MEM)	-	-	1.0	1.0	1.0	1.0	1.0
		Detroit, MI (DTW)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Frontier Airlines	Gate 9	Denver, CO (DEN)	-	-	0.4	0.4	-	-	-
GLO Airlines	Gate 12	New Orleans, LA (SMY)	2.0						
Southwest Airlines	Gates 10, 11, & 12	Dallas, TX (DAL)	3.0	3.0	6.0	6.0	6.0	6.0	6.0
		Chicago, IL (MDW)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Phoenix, AZ (PHX)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Houston, TX (HOU)	-	-	1.0	1.0	1.0	1.0	1.0
		Baltimore, MD (BWI)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Las Vegas, NV (LAS)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Saint Louis, MO (STL)	-	-	-	1.0	1.0	1.0	1.0
US Airways	Gates 5 & 8	Charlotte, NC (CLT)	-	3.0	3.0	3.0	3.0	3.0	3.0
		Washington, DC (DCA)	-	-	1.0	1.0	-	-	-
Vision Airlines	Gate	Destin, FL (DSI)	-	-	-	0.4	0.4	-	-
		Total Daily Departures	43.4	41.3	44.7	43.8	42.4	42.0	42.0

Source: Airport flight data from Passur (2013–2014); U.S. Department of Transportation, Bureau of Transportation Statistics (2009–2012)
Information prior to 2009 is not available.

Airport Operations
Fiscal Years Ended December 31

Operations	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Air Carrier	20,341	20,146	19,183	20,942	19,382	19,867	23,519	24,680	27,913	23,865
Air Taxi	14,272	16,905	21,606	25,030	28,273	31,451	28,054	26,136	28,842	33,309
General Aviation	49,770	43,913	43,304	46,027	44,785	44,853	45,179	54,622	60,860	63,232
Military	14,656	9,470	12,571	17,662	19,330	18,822	35,664	21,622	23,229	18,702
Total Operations	99,039	90,434	96,664	109,661	111,770	114,993	132,416	127,060	140,844	139,108

Source: FAA Air Traffic Reports

Airline Landed Weight Trend
Fiscal Years Ended December 31
(lbs. in thousands)

	2015	2014	2013	2012	2011
Passenger Airlines					
Allegiant	15,375	12,512	8,669	-	-
American	276,207	310,988	278,309	268,929	265,125
Continental	-	-	-	38,550	101,133
Delta	298,884	289,556	302,377	291,676	296,782
Frontier	-	23,047	29,461	46,436	1,164
GLO Airlines	1,610	-	-	-	-
Northwest	-	-	-	-	-
Southwest	322,356	410,011	469,900	522,458	540,992
United	168,735	160,126	168,493	151,541	99,949
US Airways	54,521	82,903	95,171	104,672	76,258
Vision	-	242	600	242	8,228
Charter	2,262	1,160	774	-	-
	1,139,950	1,290,545	1,353,754	1,424,504	1,389,631
Cargo Airlines					
Airborne Express	-	-	-	-	-
Federal Express	-	-	-	-	-
UPS	135,529	134,957	135,167	134,333	134,846
	135,529	134,957	135,167	134,333	134,846
Total Landed Weights	1,275,478	1,425,502	1,488,921	1,558,836	1,524,475

Source: Monthly Airline Activity Reports

	2010	2009	2008	2007	2006
Passenger Airlines					
Allegiant	-	-	-	-	-
American	283,636	315,937	281,066	327,354	318,687
Continental	89,529	74,355	86,779	91,838	110,717
Delta	284,581	276,642	214,076	241,480	279,832
Frontier	-	-	21,910	66,855	50,404
GLO Airlines	-	-	-	-	-
Northwest	5,175	114,567	145,613	159,557	148,894
Southwest	562,936	551,010	572,290	570,384	573,154
United	108,535	-	34,550	-	-
US Airways	72,011	69,765	74,388	75,158	64,303
Vision	-	-	-	-	-
Charter	-	548	124	780	3,522
	1,406,403	1,402,824	1,430,796	1,533,406	1,549,513
Cargo Airlines					
Airborne Express	-	-	15,389	23,495	26,488
Federal Express	-	1,511	2,839	811	494
UPS	132,302	137,393	138,762	154,665	139,065
	132,302	138,904	156,990	178,971	166,047
Total Landed Weights	1,538,705	1,541,728	1,587,785	1,712,378	1,715,561

Enplaned Passenger Data
Fiscal Years Ended December 31

AIRLINES/CODESHARE	2015	2014	2013	2012	2011
Allegiant Air	15,405	12,719	7,965	229	-
American Airlines	6,008	114,238	112,751	118,973	78,550
American Eagle	135,155	128,729	120,474	111,450	137,449
Mesa	84,598	1,890	-	-	-
Pacific Southwest (PSA)	16,388	-	-	-	-
Republic	64	1,418	-	-	-
Trans States – American	-	-	-	-	-
Continental Airlines	-	-	-	-	160
Continental Express	-	-	-	7,063	59,398
Colgan Air	-	-	-	26,599	37,685
Delta Airline	248,331	221,887	195,023	113,712	98,353
Atlantic Southeast	-	-	20,612	72,000	121,290
Chautauqua	-	-	50	39	1,040
ComAir	-	-	-	2,128	3,723
Compass	-	260	-	-	76
GOJet	-	-	-	367	-
Express Jet – Delta	16,787	17,544	25,823	36,227	-
Freedom	-	-	-	-	-
Endeavor/Pinnacle	749	2,130	836	24,741	23,874
Shuttle America	258	35	130	-	6
Skywest – Delta	138	-	8	-	4,981
Frontier	-	20,363	26,139	39,339	951
GLO Airlines	338	-	-	-	-
Northwest Airlines	-	-	-	-	-
Compass	-	-	-	-	-
Mesaba	-	-	-	-	-
Pinnacle	-	-	-	-	-
Southwest Airlines	265,453	293,489	335,854	369,290	374,747
United Airlines	-	-	-	-	-
Express Jet – United	108,149	119,030	134,380	135,772	76,040
Republic - United	47	-	-	-	-
Skywest – United	47,946	33,666	28,191	10,371	9,111
Trans States - United	2,956	-	-	-	-
US Airways	-	-	76,490	-	129
Mesa	-	41,787	-	27,254	39,168
Air Midwest/USAir Exp.	-	-	-	-	34
Air Wisconsin	-	1,019	-	7	-
Pacific Southwest (PSA)	47,462	23,841	-	31,180	26,098
Republic	-	3,531	-	21,144	-
Vision Airline	-	-	-	-	9,635
Charters	605	731	597	-	241
Total Enplanements	996,837	1,038,307	1,085,323	1,147,885	1,102,739

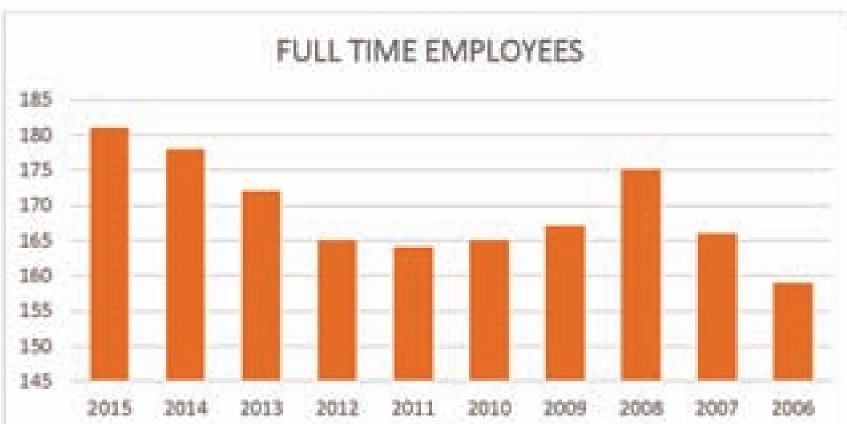
Source: Monthly Airline Activity Reports

AIRLINES/CODESHARE	2010	2009	2008	2007	2006
Allegiant Air	-	-	-	-	-
American Airlines	-	-	-	-	-
American Eagle	230,299	270,910	254,794	287,299	283,788
Mesa	-	-	-	-	-
Pacific Southwest (PSA)	-	-	-	-	-
Republic	-	-	-	-	-
Trans States – American	-	-	-	24,479	25,608
Continental Airlines	-	-	-	-	-
Continental Express	95,757	98,377	113,290	110,038	112,673
Colgan Air	-	-	-	-	-
Delta Airline	79,541	1,392	58,809	69,592	111,424
Atlantic Southeast	124,738	135,530	92,200	65,449	42,671
Chautauqua	1,817	21,965	31,322	48,146	23,507
ComAir	7,461	1,812	1,601	5,216	22,443
Compass	4,448	6,957	-	-	-
GOJet	-	-	-	-	-
Express Jet – Delta	-	-	-	-	-
Freedom	10,113	6,650	8,281	8,059	24,500
Endeavor/Pinnacle	28,245	37,549	-	-	-
Shuttle America	157	709	2,858	1,659	-
Skywest – Delta	-	9,726	837	17,714	-
Frontier	-	-	17,956	48,145	39,299
GLO Airlines	-	-	-	-	-
Northwest Airlines	3,759	65,218	94,173	96,234	97,568
Compass	-	-	7,626	-	-
Mesaba	-	-	-	71	391
Pinnacle	-	-	26,852	25,080	28,425
Southwest Airlines	391,882	363,697	384,920	392,383	409,787
United Airlines	-	-	8,678	11,832	-
Express Jet – United	10,694	-	28,420	-	-
Republic - United	-	-	-	-	-
Skywest – United	70,897	60,018	-	-	-
Trans States - United	-	-	-	-	-
US Airways	-	-	-	-	-
Mesa	30,789	59	1,980	445	5,355
Air Midwest/USAir Exp.	-	-	1,596	4,134	4,386
Air Wisconsin	-	-	-	-	2,296
Pacific Southwest (PSA)	33,934	54,083	57,309	51,372	38,766
Republic	-	-	-	-	-
Vision Airline	-	-	-	-	-
Charters	172	318	-	350	2,168
Total Enplanements	1,124,703	1,134,970	1,193,502	1,267,697	1,275,055

Employee Trend
Fiscal Years Ended December 31

	Department	2015	2014	2013	2012	2011	2010
101	Executive Office	2	2	2	2	2	2
102	Administration	3	3	3	3	4	4
103	Human Resources	5	4	4	4	5	5
104	Customer Service	7	7	5	4	5	5
105	Finance	10	10	10	9	9	9
106	Procurement	5	5	5	5	5	3
107	Properties	2	2	1	1	1	1
108	Planning & Development	5	4	6	5	4	4
109	Government & Public Relations	1	2	2	2	0	0
110	Air Service Development	1	1	1	1	1	1
201	Airside Operations	17	16	17	16	16	16
202	Landside Operations	34	36	27	26	26	31
301	Airfield Maintenance	18	18	18	18	17	16
302	Terminal Maintenance	56	53	56	55	56	56
303	Information Systems	9	9	9	9	8	7
304	Commercial Facilities	2	2	2	2	2	2
305	Fleet Maintenance	4	4	4	3	3	3
	Total	181	178	172	165	164	165

Source: Approved Positions, Kronos Payroll System
Information prior to 2010 is not available by department.



Schedule of Capital Assets
Fiscal Years Ended December 31
(in thousands)

	2015	2014	2013	2012	2011
Land	$ 66,183	$ 63,988	$ 61,795	$ 63,363	$ 37,480
Construction work in progress	9,236	9,290	15,137	85,833	64,821
Capital assets not depreciated	75,419	73,278	76,932	149,196	102,301
Buildings and improvements	364,978	359,419	343,829	271,360	305,072
Equipment	20,593	19,850	19,337	12,792	11,630
Infrastructure	38,174	33,330	32,980	3,687	35,821
Capital assets depreciated	423,745	412,599	396,145	287,839	352,523
Less: accumulated depreciation	(175,080)	(160,818)	(147,202)	(135,542)	(151,199)
Net Capital Assets	$ 324,084	$ 325,059	$ 325,876	$ 301,493	$ 303,625

	2010	2009	2008	2007	2006
Land	$ 37,480	$ 37,480	$ 37,480	$ 37,480	$ 37,475
Construction work in progress	60,116	65,814	20,630	11,107	13,839
Capital assets not depreciated	97,596	103,295	58,111	48,588	51,314
Buildings and improvements	301,989	279,044	277,010	276,883	269,483
Equipment	9,052	8,267	8,479	7,700	6,555
Infrastructure	27,268	18,577	21,579	17,781	7,302
Capital assets depreciated	338,310	305,889	307,069	302,364	283,339
Less: accumulated depreciation	(140,562)	(130,556)	(120,829)	(112,260)	(104,528)
Net Capital Assets	$ 295,344	$ 278,628	$ 244,349	$ 238,691	$ 230,126

Source: Airport audited financial statements

	2015
Number of commercial runways	2
Number of commmercial gates	12
Covered parking spaces (public)	851
Airport land area (approximately)	2,000 acres

Little Rock Metro Population (Comparative Analysis)
Ten-Year History (at January 1)

Year	U.S.	State	Metro
2015	321,418,820	2,978,204	729,135
2014	318,857,056	2,959,373	724,335
2013	316,497,531	2,949,828	717,703
2012	314,112,078	2,938,506	680,759
2011	311,721,632	2,922,280	702,305
2010	309,647,057	2,896,843	691,903
2009	306,771,529	2,874,554	681,888
2008	304,093,956	2,848,650	671,441
2007	301,231,207	2,821,761	661,719
2006	298,379,912	2,781,097	648,784

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Little Rock Metro Population (Six-County Service Area)
Ten-Year History (at January 1)

Year	Pulaski	Faulkner	Grant	Perry	Lonoke	Saline	Total
2015	392,702	120,768	18,144	10,245	71,557	115,719	729,135
2014	391,536	119,390	18,046	10,344	70,834	114,185	724,335
2013	389,058	118,529	18,035	10,326	70,087	111,668	717,703
2012	386,862	116,293	17,957	10,386	39,410	109,851	680,759
2011	383,600	114,039	17,887	10,447	68,701	107,631	702,305
2010	380,053	110,813	17,751	10,443	67,481	105,362	691,903
2009	376,567	108,477	17,718	10,441	66,086	102,599	681,888
2008	373,403	105,637	17,483	10,496	64,379	100,043	671,441
2007	371,647	102,969	17,442	10,352	62,648	96,661	661,719
2006	368,274	99,192	17,244	10,356	60,225	93,493	648,784

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Little Rock Metro Personal Income Per Capita (Comparative Analysis)
Ten-Year History (at January 1)

Year	U.S.	State	Metro
2015	46,049	37,782	40,925
2014	44,438	36,529	39,880
2013	44,266	36,291	40,619
2012	42,453	33,961	38,602
2011	40,277	31,991	36,896
2010	39,376	31,629	36,912
2009	41,082	32,434	37,443
2008	39,821	31,180	36,649
2007	38,144	29,479	34,524
2006	35,904	27,915	32,641

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Little Rock Metro Personal Income Per Capita (Six-County Service Area)
Ten-Year History (at January 1)

Year	Pulaski	Saline	Lonoke	Faulkner	Perry	Grant	Metro
2015	46,349	36,076	34,897	33,350	31,679	33,876	40,925
2014	45,080	35,196	34,506	32,344	30,813	32,870	39,880
2013	46,593	34,956	33,908	32,391	30,576	32,722	40,619
2012	43,719	33,849	32,739	31,419	29,763	31,756	38,602
2011	41,492	32,543	31,749	30,333	28,552	31,016	36,896
2010	41,809	32,331	31,637	29,729	27,313	29,809	36,912
2009	42,746	32,332	31,626	29,776	26,840	29,203	37,443
2008	42,089	30,833	30,651	28,965	25,299	29,062	36,649
2007	39,396	29,279	29,030	27,585	23,845	26,809	34,524
2006	37,060	27,944	27,617	25,870	22,999	26,025	32,641

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Little Rock Metro Unemployment Rate (Comparative Analysis)

Ten-Year History (at January 1)

Year	U.S.	State	Metro
2015	6.2%	6.1%	5.5%
2014	7.4%	7.5%	6.8%
2013	8.1%	7.5%	6.7%
2012	8.9%	8.0%	7.0%
2011	9.6%	7.9%	7.0%
2010	9.3%	7.5%	6.4%
2009	5.8%	5.4%	4.6%
2008	4.6%	5.2%	4.5%
2007	4.6%	5.3%	4.7%
2006	5.1%	5.1%	4.6%

Source: State of Arkansas: Department of Workforce Services

Little Rock Metro Unemployment Rate (Six-County Service Area)

Ten-Year History (at January 1)

Year	Pulaski	Saline	Lonoke	Faulkner	Perry	Grant	Metro
2015	5.6%	4.9%	5.2%	5.7%	7.7%	5.6%	5.5%
2014	6.9%	6.2%	6.4%	7.0%	8.9%	6.8%	6.8%
2013	6.9%	6.3%	6.3%	6.7%	8.3%	6.7%	6.7%
2012	7.2%	6.5%	6.8%	7.0%	8.7%	7.2%	7.0%
2011	7.1%	6.6%	6.7%	7.2%	8.2%	7.0%	7.0%
2010	6.4%	6.3%	6.0%	6.7%	7.5%	6.8%	6.4%
2009	4.6%	4.4%	4.4%	4.7%	5.5%	5.1%	4.6%
2008	4.7%	4.1%	4.3%	4.3%	4.8%	4.9%	4.5%
2007	4.9%	4.5%	4.3%	4.5%	5.1%	5.0%	4.7%
2006	4.7%	4.2%	4.4%	4.4%	5.0%	4.8%	4.6%

Source: State of Arkansas: Department of Workforce Services
Note: Not seasonally adjusted.

Little Rock
Principal Employers

	2015			2006		
Employer	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas	34,900	22.91%	1	23,377	15.28%	1
Local Government	27,200	17.85%	2	-	-	*
Federal Government	9,900	6.50%	3	12,000	7.84%	2
University of Arkansas Medical Sciences	9,100	5.97%	4	8,500	5.56%	3
Baptist Health	5,300	3.48%	5	7,000	4.58%	5
Little Rock Air Force Base	4,500	2.95%	6	4,500	2.94%	6
Arkansas Children's Hospital	4,000	2.63%	7	-	-	*
Little Rock School District	3,500	2.30%	9	8,434	5.51%	4
Central Arkansas Veterans Health Care	2,800	1.84%	10	2,785	1.82%	10
Total	101,200	66%		66,596	44%	

Source: Little Rock Chamber of Commerce

** - Data not available for 2006.*

Little Rock
Demographic and Economic Statistics

Calendar Year	Population[a]	Personal Income[b]	Per Capita Personal Income	Unemployment Percentage Rate
2006	183,133	$ 6,195,023,124	$ 33,828	4.6%
2007	183,133	6,553,597,538	35,786	4.7%
2008	183,133	6,984,143,221	38,137	4.5%
2009	183,133	7,153,174,980	39,060	5.9%
2010	193,524	7,374,425,544	38,106	7.2%
2011	193,524	7,365,910,488	38,062	6.7%
2012	193,524	7,807,919,304	40,346	7.1%
2013	193,524	8,062,596,888	41,662	7.2%
2014	193,524	8,273,731,572	42,753	6.9%
2015	197,706	9,175,337,754	46,409	4.0%

[a] *Population of Little Rock, AR using 2000 Census and 2010 Census*
2015 Population and Per Capita Personal Income, http://www.census.gov/quickfacts/table/PST045215/0541000,05
[b] *Personal Income is a calculation of per capita income multiplied by the population.*
Source: Metroplan - Council of Local Governments, DiscoverArkansas.net and Greater Little Rock Chamber of Commerce

COMPLIANCE
SECTION

COMPLIANCE SECTION CONTENTS:

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Transportation – Federal Aviation Administration/ Airport Improvement Program	20.106	03-05-0035-74	$ 30,646
	20.106	03-05-0035-79	376,693
	20.106	03-05-0035-80	36,882
	20.106	03-05-0035-81	812,017
	20.106	03-05-0035-83	2,241,489
	20.106	03-05-0035-84	6,204
			3,503,931
U.S. Department of Homeland Security – Transportation Security Administration/ Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS02-13-H-SLR411	126,467
U.S. Department of Homeland Security – Transportation Security Administration/ American Recovery and Reinvestment Act – Airport Checked Baggage Inspection System Program	97.117	HSTS04-10-H-REC125	119,166
		Total expenditures of federal awards	$ 3,749,564

Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Bill and Hillary Clinton National Airport (Airport) under programs of the federal government for the year ended December 31, 2015. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport, it is not intended to and does not present the financial position, results of its operations, changes in net position or cash flows of the Airport.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Airport has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Airport had no federal loans that they were administering as of December 31, 2015.
4. The Airport provided no federal awards to subrecipients.

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

Little Rock Municipal Airport Commission
Bill and Hillary Clinton National Airport
Little Rock, Arkansas

We have audited, 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, the basic financial statements of the Bill and Hillary Clinton National Airport (Airport), a component unit of the City of Little Rock, Arkansas, which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated June 1, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Airports'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.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport'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*.

We noted certain matters that we reported to the Airport's management in a separate letter dated June 1, 2016.

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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
June 1, 2016

BKD LLP
CPAs & Advisors

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Little Rock Municipal Airport Commission
Bill and Hillary Clinton National Airport
Little Rock, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Bill and Hillary Clinton National Airport's (Airport) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport's major federal program for the year ended December 31, 2015. The Airport'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 Airport'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion on a Major Federal Program

In our opinion, Bill and Hillary Clinton National Airport 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, 2015.

Report on Internal Control over Compliance

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

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

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

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

BKD, LLP

Indianapolis, Indiana
June 1, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards were:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The Airport's major program was:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Organization qualified as a low-risk auditee? ☐ Yes ☒ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Reference Number	Summary of Finding	Status
	No matters are reportable.	

SCHEDULE OF PASSENGER FACILITY CHARGES

Collections	Date Approved	Amount Approved For Use	Cumulative Total – December 31, 2014	Quarter Ended March 31, 2015	Quarter Ended June 30, 2015	Quarter Ended September 30, 2015	Quarter Ended December 31, 2015	Year Ended December 31, 2015	Cumulative Total – December 31, 2015
Passenger facility charge collections received			$ 84,228,029	$ 859,502	$ 1,040,659	$ 1,005,026	$ 870,133	$ 3,775,320	$ 88,003,349
Interest earned			6,739,385	27,329	27,392	19,071	19,678	93,470	6,832,855
Total passenger facility charge collections			$ 90,967,414	$ 886,831	$ 1,068,051	$ 1,024,097	$ 889,811	$ 3,868,790	$ 94,836,204
Expenditures									
Applications closed prior to 2015	Various	$ 37,094,053	$ 37,094,053	$ -	$ -	$ -	$ -	$ -	$ 37,094,053
Application 06-05	1/31/2006	6,284,571	707,063	-	2,985,034	-	748,625	3,733,659	4,440,722
Application 07-06	2/27/2007	38,428,622	32,700,690	-	3,723,250	1,122	(1,377)	3,722,995	36,423,686
Application 10-07	1/5/2010	9,595,910	3,016,743	810,000	540,000	-	-	1,350,000	4,366,743
Application 15-08	5/11/2015	4,601,120	-	-	-	-	150,000	150,000	150,000
Total passenger facility charge revenue expended		$ 96,004,276	$ 73,518,550	$ 810,000	$ 7,248,284	$ 1,122	$ 897,248	$ 8,956,654	$ 82,475,204

Note 1. General

This schedule includes the Passenger Facility Charge (PFC) Program activity of the Bill and Hillary Clinton National Airport and is presented on the modified cash basis of accounting. Under the modified cash basis of accounting, PFC revenues are recognized when received rather when earned and eligible expenditures are recognized when the related goods or services are provided or incurred. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PFC expenditures may consist of direct project costs, administrative costs, debt service and bond financing costs, as applicable to active applications. The accompanying schedule of PFC collections and expenditures includes eligible expenditures that have been applied against PFCs collected as of December 31, 2015.

BKD LLP
CPAs & Advisors

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Report on Compliance for the Passenger Facility Charge Program
and Report on Internal Control Over Compliance

Independent Auditor's Report

Little Rock Municipal Airport Commission
Bill and Hillary Clinton National Airport
Little Rock, Arkansas

Report on Compliance for Passenger Facility Charge Program

We have audited Bill and Hillary Clinton National Airport's (Airport) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide) issued by the Federal Aviation Administration that could have a direct and material effect on the passenger facility charge program for the year ended December 31, 2015.

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 the compliance of the Airport 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 types of 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 Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the passenger facility charge program. However, our audit does not provide a legal determination of the Airport's compliance.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion on Passenger Facility Charge Program

In our opinion, the Bill and Hillary Clinton National Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge 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 the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge 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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

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

BKD, LLP

Indianapolis, Indiana
June 1, 2016

PASSENGER FACILITY CHARGE AUDIT SUMMARY

Summary of Auditor's Results

1. Type of report issued on PFC financial statements. ☒ Unmodified ☐ Qualified
2. Type of report on PFC compliance. ☒ Unmodified ☐ Qualified
3. Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported unliquidated revenue matches actual amounts. ☒ Yes ☐ No
4. PFC revenue and interest is accurately reported on FAA Form 5100-127. ☒ Yes ☐ No
5. The Public Agency maintains a separate financial accounting record for each application. ☒ Yes ☐ No
6. Funds disbursed were for PFC-eligible items as identified in the FAA decision to pay only for the allowable costs of the project. ☒ Yes ☐ No
7. Monthly carrier receipts were reconciled with quarterly carrier reports. ☒ Yes ☐ No
8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. ☒ Yes ☐ No
9. Serving carriers were notified of PFC program actions/changes approved by the FAA. ☒ Yes ☐ No
10. Quarterly reports were transmitted (or available via website) to remitting carriers. ☒ Yes ☐ No
11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8. ☒ Yes ☐ No
12. Project design and implementation is carried out in accordance with Assurance 9. ☒ Yes ☐ No
13. Program administration is carried out in accordance with Assurance 10. ☒ Yes ☐ No
14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence. ☐ Yes ☐ No ☒ N/A

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Findings Required to be Reported by the Guide

Reference Number	Finding	Questioned Costs

No matters are reportable.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Reference Number	Summary of Finding	Status

No matters are reportable.