BILL AND HILLARY
# CLINTON NATIONAL AIRPORT
LITTLE ROCK

## Little Rock Municipal Airport Commission

A Component Unit of the City of Little Rock, Arkansas

# Comprehensive Annual Financial Report
# Fiscal Year Ended December 31, 2014


# Comprehensive Annual Financial Report

Bill and Hillary Clinton National Airport

A Component Unit of the City of Little Rock, Arkansas

For the Fiscal Years Ended
December 31, 2014 and 2013

Prepared by:
Bill and Hillary Clinton National Airport
Finance Department

**Bill and Hillary Clinton National Airport**
**Comprehensive Annual Financial Report**
**Fiscal Years Ended December 31, 2014 and 2013**

## Table of Contents

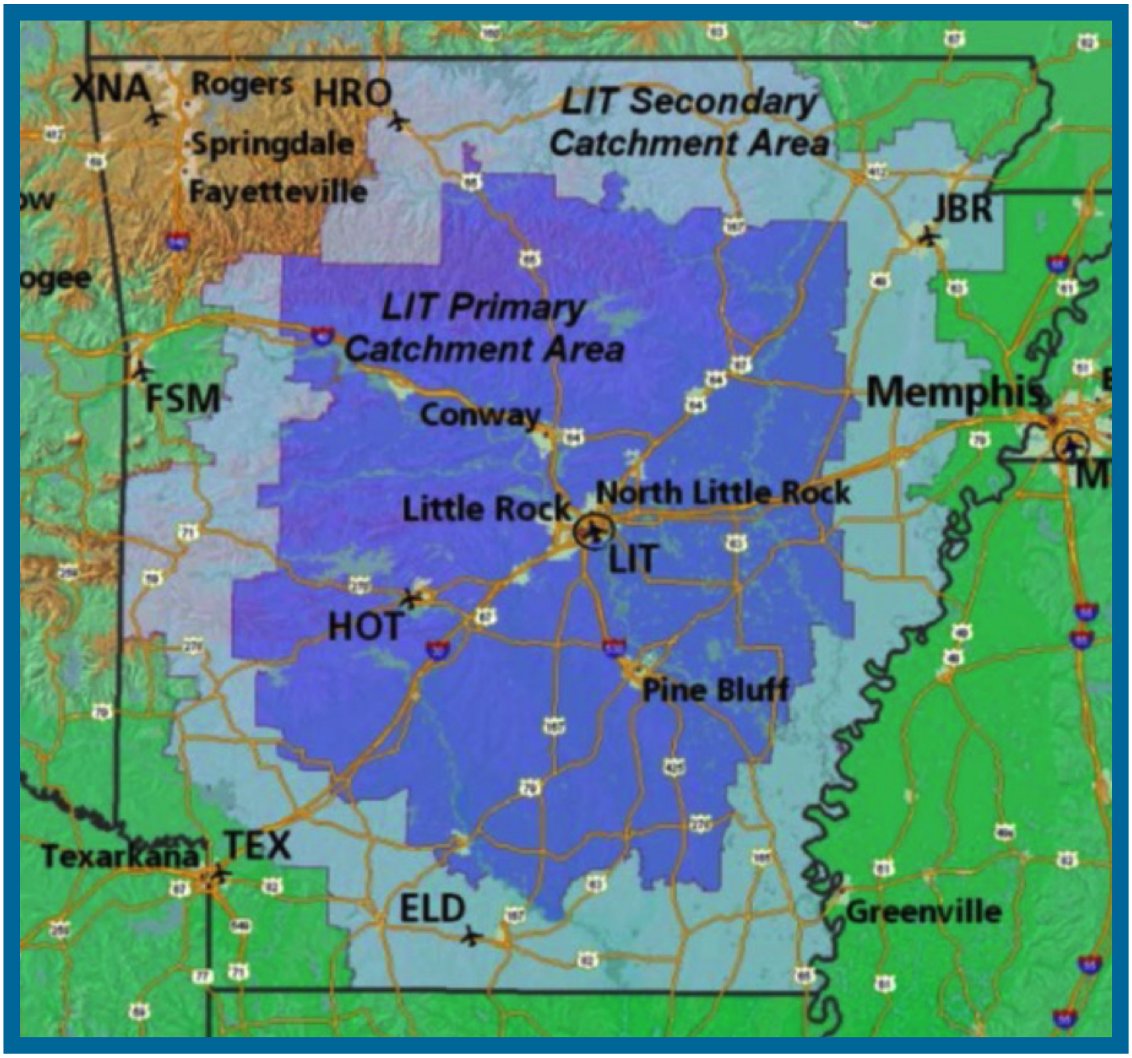
## Table of Contents (Continued)


# INTRODUCTORY SECTION

Bill and Hillary Clinton National Airport's renovated and enlarged ticket lobby provides a warm welcome to passengers with a sustainable design leading to a bright, green future. Locally sourced materials give a remarkable sense of place while reducing the impact on the environment. Winner of three Green Globes from the Green Building Institute, the airport terminal offers lots of natural light through insulated glass that provides great views while saving energy. Energy, water and operational costs are much lower due to the latest technology and mechanical systems.

# Introductory Section Contents

# Airport Locations and Service Area



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# LITTLE ROCK MUNICIPAL AIRPORT COMMISSION

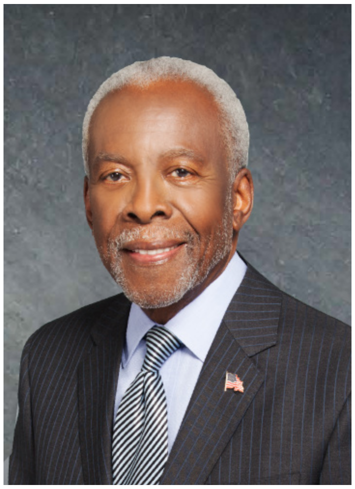
**Wesley Clark**
Chairman

**Virgil L. Miller, Jr.**
Vice Chair/Treasurer

**Jim Dailey**
Secretary

**Thomas Schueck**
Commissioner

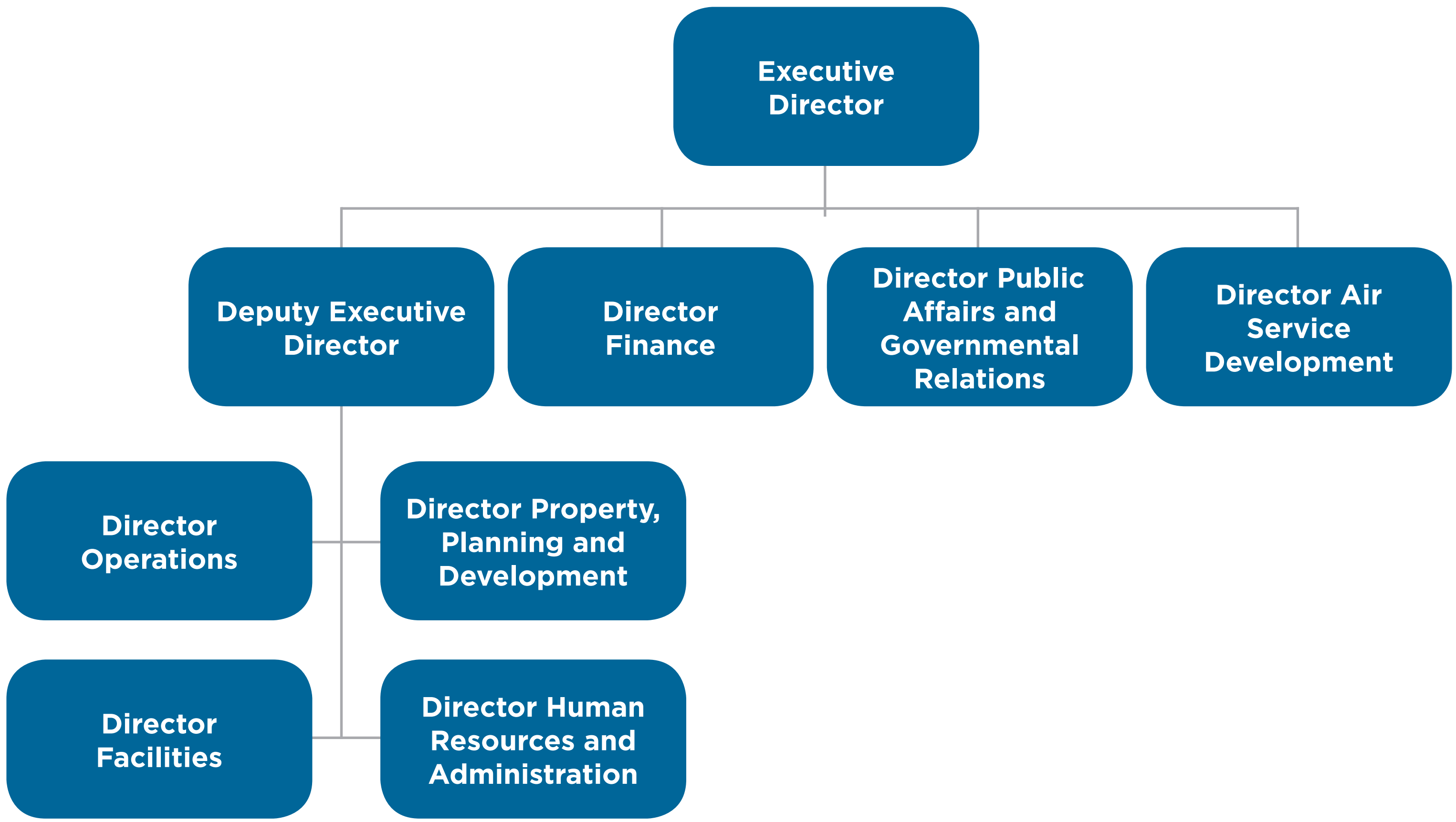
**Robert East**
Commissioner



**Jesse Mason**
Commissioner

**Stacy Hurst**
Commissioner

# Organizational Structure



# Clinton National Airport Executive Leadership

**Ronald F. Mathieu, CM**
Executive Director
9 Years of Service

**Bryan Malinowski, CM**
Deputy Executive Director
5 Years of Service

**Sylvia Ambrogio, AAE**
Director – Finance
3 Years of Service

**Tom Clarke, PE, CM**
Director – Properties, Planning and Development
4 Years of Service

**Allen Williams, SPHR, IPMA-CP**
Director – Human Resources and Administration
9 Years of Service

**Charles Jones, CM**
Director – Operations
7 Years of Service

**Randy Ellison**
Director – Facilities
7 Years of Service

**Shane Carter**
Director – Public Affairs and Governmental Relations
3 Years of Service

**T.J. Williams**
Director – Air Service Development
13 Years of Service

**Elwin Jones**
Director – Procurement
14 Years of Service

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BILL AND HILLARY CLINTON NATIONAL AIRPORT LITTLE ROCK

Ronald F. Mathieu, C.M.
Executive Director

Bryan Malinowski, C.M.
Deputy Executive Director

April 28, 2015

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, 2014 and 2013. 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.

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 21 through 38 of this report.

## Profile of the Government

The Airport operates as a self-sustaining component 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.

As a business-type activity, 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 2014, the Airport accommodated approximately 2.1 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, 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 TacAir, a full-service, fixed-base operator 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 80, the population for the Metro was 724,385 in 2014, according to the U.S. Department of Commerce, Bureau of Economic Analysis, and was concentrated primarily in Pulaski and Faulkner Counties. This represents a 0.9 percent increase compared to 717,844 in 2013.

The Little Rock Metro per capita personal income at January 1, 2014 ($37,640) was lower than the state average ($39,249) but higher than the national average ($28,829). As presented on page 81 of this report, the pattern of per capita income growth in the Little Rock metro has generally mirrored the pattern of growth within the state, albeit at a slightly lower level, over the past decade.

## Unemployment Rate

According to the University of Arkansas at Little Rock, Institute for Economic Advancement, the State of Arkansas and the Little Rock Metro showed dramatic improvement in the final quarter of 2014, and anticipate continued improvement in the labor markets in the coming years. For the Metro, the unemployment rate at January 1, 2014, was 6.8 percent compared to a national unemployment rate of 7.4 percent. At the end of fiscal year 2014, 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 the Metro was $193,625 in December 2014, which represents an increase of 5.95 percent from the previous year.

## Major Employers

The following table lists the top 10 private sector employers in Pulaski County, which accounts for 54.0 percent of the Metro's population. 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 | 7,000 |
| Acxiom | 4,380 |
| Central Arkansas Veterans Healthcare System | 3,500 |
| Entergy Arkansas | 2,740 |
| AT&T | 2,600 |
| St. Vincent Health System | 2,600 |
| Arkansas Childrens Hospital | 2,470 |
| Dillards | 2,400 |
| Verizon Wireless | 2,000 |
| Union Pacific Railroad | 2,000 |

## Tourism and Local Activities

Visitors are attracted to the Metro by the State Capitol 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 $1.67 billion in 2013.

## 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 $1.8 Billion of goods and services per year, making aviation Arkansas' number one export. As refelected in the financial section 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, located central 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 air 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, has stated, "the U.S. airline industry continued its upward climb in 2014, recording a fifth consecutive year of modest profitability." For the industry, A4A projects Spring 2015 air travel to rise to its highest level in seven years, with passenger volumes expected to fall just below the 2007 peak.

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 2.1 million total passengers (enplaning and deplaning) chose the Airport during fiscal year 2014, reflecting a 4.2 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 2014, 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 the small-hub airports, such as LIT, to compete for 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 removed four daily flights 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 2014, the Airport was served by six scheduled passenger airlines, which provided an average of 41.3 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 2014 included:

*Concourse Renovation Program*

This $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 and new passenger boarding bridges for Gates 3, 5 and 7. Other work includes mechanical system improvements and associated site work.

*West Airfield Drainage Improvements (Phase I)*

The 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.

*Runway 4L/22R Paved Shoulders & Lighting Improvements*

The project provides for the rehabilitation of paved asphalt shoulders upgrades to the existing runway edge light system with L.E.D. type fixtures. The project provides for improved safety and reduced maintenance cost with the addition of paved shoulders and correction of edge light spacing. Runway pavement life will be extended with resealing of concrete joints. Installation of L.E.D. type fixtures on the runway centerline and in the touchdown zone will replace existing fixtures that are at the end of useful life.

*New Airfield Maintenance Facility (AMF)*

During 2014, LIT completed construction of the new AMF facility to support airfield maintenance activities. The project includes a 38,000 square-foot facility with storage building, concrete paving and associated site improvements. Building amenities include a vehicle maintenance shop with two hydraulic lifts, housing for airfield maintenance equipment and a dormitory area for housing workers during emergency and snow removal operations.

*AMF Fueling Facility*

In July 2014, the Commission approved construction of an above-ground fueling system to serve the Airport's fleet and vehicle equipment. The project will be constructed adjacent to the Airfield Maintenance Facility and includes one 15,000 gallon tank for diesel fuel, one 15,000 gallon tank for unleaded fuel, dispensers, fleet management and inventory system, and approximately 500 square yards of concrete pavement for the loading area.

*GIS System*

During fiscal year 2014, LIT began implementation of a Geospatial Information System (GIS) for the Airport, GIS base map development and GIS training for Airport staff. The GIS will be used to collect airport and aeronautical data to meet the demands of the FAA in developing electronic Airport Obstruction Charts and electronic Airport Layout Plans. The GIS will be staged for integration with the Airport's Enterprise Resource Program.

*Planning Efforts for Future Construction*

LIT has begun field work to prepare the design for rehabilitation and improvements to both Taxiway Alpha and Taxiway Bravo on the west side of the airfield. The program incorporates 35 acres of airfield improvements, including a geotechnical investigation as necessary for the design of the project. Additional design was performed for improvements to the Runway 4R safety area and construction of a new blast pad to remove the existing EMAS, which is past its useful life and generates FOD when exposed to jet blast. Both projects will be bid and construction begun in 2015.

## Federal and State Grants

The FAA provides up to 90 percent reimbursement of eligible project costs through the Airport Improvement Program (AIP). 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 2014, the FAA approved $3.9 million in AIP entitlement grants for the West Airfield Drainage Improvements and reimbursement of land acquisition costs known as Area One. The FAA-grant-eligible costs through 2019 are estimated at $41.0 million, which anticipates $18.6 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 2014, the Airport received $200,159 in approved state grant funds.

### Passenger Facility Charges (PFCs)

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 mitigate noise impact. The Airport is currently authorized by the FAA to impose a PFC fee and to use up to $91.4 million of PFC revenues. The PFC collection dates for approved PFC applications are estimated to expire in July 2015. During fiscal year 2014, the Airport received $4.1 million in PFC receipts, bringing the total PFC receipts and interest received since May 1, 1995, under the approved applications to $90.9 million. In fiscal year 2014, 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 8 in the amount of $4.6 million, which will extend the Airport's PFC collection authority to 2016.

## 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 2014 for customer satisfaction surveys, passenger assistance at curbside, complimentary passenger high-speed WiFi service and additional programs included to enhance the customer experience.

*TAC Air Negotiations*

In July, 2014, the Commission approved the assignment and amendment of the April 19, 2006, Lease and Operating Agreement from Supermarine of Little Rock, LLC to TAC Air. The business terms of the amended lease with TAC Air included increasing the fixed rental to the Commission by 26 percent, significantly reducing the Commission's obligation for future capital improvements, and provided for the potential to include enhanced fuel flowage fees in future revenues.

On December 16, 2014, the Commission consented to Central Flying Service, Inc., an FBO, and Airport Services, Inc., an airline fuel and service provider, assigning their Lease and Operation Agreements to TAC Air. As a condition to the Commission's consent, new agreements were negotiated to replace the assigned agreements and the TAC Air agreement discussed above was again amended. The new and amended agreements became effective February 1, 2015, and are a significant improvement for the Commission from both the standpoint of business terms and revenue.

*Dassault Falcon Jet Expansion*

In May 2014, Dassault Falcon Jet broke ground on a three-year $60 million expansion program, including a new 250,000 square-foot hangar and finishing facilities for the new 5X 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 $278,743.

*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, which expired on December 31, 2014, and all leasehold improvements reverted to Commission ownership. The premises include a 42,800 (BCBS) square-foot building and associated land and parking areas, which are currently leased to Arkansas Blue Cross Blue Shield. BCBS is paying a monthly rent of $37,051 to the Commission, but will be relocating in May 2015.

The Commission is actively marketing the facility through their real estate broker, Sage Partners & Jones Lang LaSalle. Revenues from future leases are expected to greatly exceed revenues from the previous land lease.

*Distributed Antenna System*

On November 18, 2014, the Commission approved a proposal from Verizon Wireless for the installation, operation and maintenance of a neutral host Distributed Antenna System (DAS) for the Passenger Terminal Complex at LIT. The DAS will greatly enhance cellular coverage for voice/data service providers, in addition to providing a new revenue source to the Airport. Airport Staff are finalizing terms of the agreement with Verizon, but will receive $4,000 per month from Verizon plus 100 percent of all future revenue from other service providers that are added to the DAS. It is anticipated that the agreement could generate over $1 million in non-aviation revenue over the first 10 years of the agreement.

*Aerospace Education Center (AEC) Demolition*

The AEC building was designed and constructed by a local nonprofit corporation on Airport property as an aerospace museum and education center in the early 1990s and operated as such until 2011 when it was closed. The AEC building reverted to Airport ownership in July 2011. The very specific configuration of spaces within the facility—museum, planetarium, theatre and library—made attempts to lease the facility for other uses unsuccessful. The annual costs to operate and maintain the facility were approximately $180,000. On June 12, 2014, the Commission approved a contract of approximately $240,000 for the demolition of the AEC facility, and the work was completed before the end of the year removing the financial burden from the Commission's obligations.

*American Airlines Bankruptcy*

On November 29, 2011, AMR Corporation (AMR), the parent company of American Airlines, Inc., AA, American Eagle, Inc., and other affiliates of AMR, filed voluntary petitions for Chapter 11 reorganization in the U.S. Bankruptcy Court for the Southern District of New York. Since filing, AMR had filed a number of extensions. On November 27, 2013, AMR Corporation won bankruptcy court approval to complete its $17.2 billion merger with US Airways Group. On May 7, 2014, an agreement between AMR and the Airport allowed payment of $178,685 towards and in satisfaction of the Airport's $179,376 in prepetition claims.

*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 had been deposited with the trustee (bond fund and debt service reserve), that no additional payments were required after April 2014. The Airport is on track 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 and resulting in the decrease in enplanements in 2014. During fiscal year 2015 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, 2014 and 2013. The independent auditor's report on the fiscal year 2014 financial statements is included in the financial section of this report.

## 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 | Sylvia Ambrogio, AAE |
| Executive Director | Director of Finance/CFO |

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# FINANCIAL SECTION

Clinton National Airport and its tenants have a significant economic impact on the state of Arkansas. Aerospace is the state's largest export largely due to Dassault-Falcon Jet's worldwide competition center being located at Clinton National. The airport is home to nearly 3,000 jobs with Dassault being the largest employer. Clinton National, which according to the state has an impact of $1.2 billion, recently helped secure a major expansion to Dassault.

# Financial Section Contents

- Independent Auditor’s Report
- Management’s Discussion and Analysis (Unaudited)
- Basic Financial Statements

BKD LLP
CPAs & Advisors

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501.372.1040 // fax 501.372.1250 // bkd.com

**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, which are comprised of the balance sheets as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents, of the Bill and Hillary Clinton National Airport (the Airport), a component unit of the City of Little Rock, Arkansas.

***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.

***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, 2014 and 2013, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information consisting of the schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 April 28, 2015, 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

Little Rock, Arkansas
April 28, 2015

# Management's Discussion and Analysis

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# Management's Discussion and Analysis (Unaudited)
# December 31, 2014 and 2013

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, 2014.

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 39 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 *Balance Sheets* 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 Airports'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.

## Passenger and Other Traffic Activity Highlights

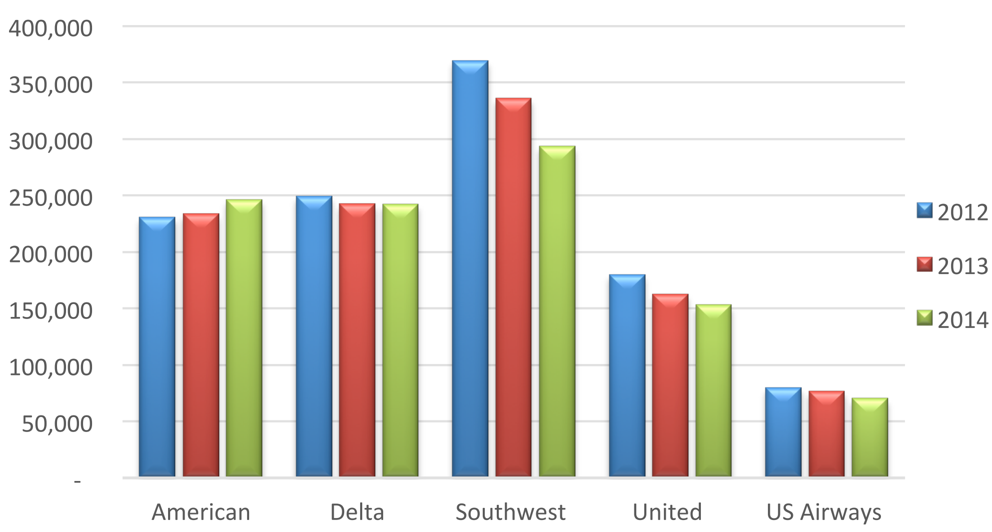
The following table highlights changes in LIT's key operating statistics for the last three fiscal years:

| Key Operating Information | 2014 | 2013 | 2012 |
|---|---|---|---|
| Total Passengers (in 000s) | 2,076 | 2,161 | 2,293 |
| Enplanements (in 000s) | 1,038 | 1,085 | 1,148 |
| Cost per Enplaned Passenger | $9.03 | $8.34 | $6.63 |
| Aircraft Operations | 90,434 | 96,664 | 109,661 |
| Landed Weights (in 1000s) | 1,425,502 | 1,493,460 | 1,567,943 |
| Air mail (lbs.) | 562,267 | 1,260,920 | 503,900 |
| Air Freight (lbs.) | 16,694,302 | 15,282,500 | 17,551,218 |
| Ground Rental (Acres) | 242.5 | 242.5 | 252.7 |
| Facility Leases (SF) | 747,972 | 857,473 | 1,119,971 |

*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 2014 and the comparative enplanements for fiscal years 2013 and 2012.



### 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.

### Fiscal Year 2013

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 2013, passenger traffic at LIT continued to decline with a reported 1,085,323 passenger enplanements compared to 1,147,885 for FY 2012. The reduction of 62,562 passengers, or -5.5%, was attributable primarily to Southwest Airlines and Frontier Airlines, which accounted for 74.5% of the decline. During FY 2013, Southwest Airlines ceased operations to Saint Louis (STL) and the 2010 merger between Continental and United Airlines continued to stabilize the passengers as a result.

## Air Traffic Operations

The chart presents scheduled daily flights departing from LIT at December 31, 2014, and the comparative flights for fiscal years 2013 and 2012.

### 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.

### Fiscal Year 2013

Air traffic at LIT was increased by 0.9 average daily flights with the departure of Vision Airlines and Southwest eliminating service to STL.

| Destinations | 2012 | 2013 | 2014 |
|---|---|---|---|
| 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) | 5.0 | 7.0 | 8.0 |
| Dallas, TX (DAL) | 6.0 | 6.0 | 3.0 |
| Dallas, TX (DFW) | 7.0 | 7.0 | 7.0 |
| Denver, CO (DEN) | 1.4 | 1.4 | 2.0 |
| Destin, FL (DSI) | 0.4 | - | - |
| Detroit, MI (DTW) | 1.0 | 1.0 | 1.0 |
| Houston, TX (HOU) | 1.0 | 1.0 | - |
| Houston, TX (IAH) | 5.0 | 5.0 | 5.0 |
| Las Vegas, NV (LAS) | 1.0 | 1.0 | 1.0 |
| Memphis, TN (MEM) | 1.0 | 1.0 | - |
| New York (LGA) | - | - | 1.0 |
| Orlando, FL (SFB) | - | 0.3 | 0.3 |
| Phoenix, AZ (PHX) | 1.0 | 1.0 | 1.0 |
| Saint Louis, MO (STL) | 1.0 | - | - |
| Washington, DC (DCA) | 1.0 | 1.0 | - |
| **Total Daily Flights** | **43.8** | **44.7** | **41.3** |

## Overview of LIT's Financial Statements

### 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 $4.3 million.
- Federal grants totaled $6.9 million.
- Net position increased by $9.7 million.

### Financial Highlights, Fiscal Year 2013

- LIT's assets exceeded liabilities at December 31, 2013, by $345.0 million.
- Bonded debt of LIT had a net decrease of $10.8 million.
- Operating revenue totaled $30.6 million.
- Operating expenses (excluding depreciation) totaled $19.8 million.
- Net nonoperating revenue was $7.1 million.
- Federal grants totaled $5.8 million.
- Net position increased by $24.9 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.

## Net Position

| | 2014 | 2013 | 2012* | FY14 vs. FY13 % change | FY13 vs. FY12 % change |
|---|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | | |
| Cash and cash equivalents | $ 17,883,780 | $ 11,762,492 | $ 16,709,308 | 52.0% | -29.6% |
| Restricted cash and cash equivalents | 19,966,257 | 19,749,045 | 24,945,044 | 1.1% | -20.8% |
| Accounts receivable, less allowance | 646,812 | 784,633 | 896,035 | -17.6% | -12.4% |
| Other current assets | 5,844,323 | 4,077,017 | 12,835,241 | 43.3% | -68.2% |
| Capital assets, net | 325,058,974 | 325,875,892 | 335,441,893 | -0.3% | -2.9% |
| Other noncurrent assets | 288,271 | 325,123 | 450,039 | -11.3% | -27.8% |
| Total assets | 369,688,417 | 362,574,202 | 391,277,560 | 2.0% | -7.3% |
| Deferred outflows of resources | 45,402 | 88,964 | - | -49.0% | 100.0% |
| Total assets and deferred outflows of resources | $ 369,733,819 | $ 362,663,166 | $ 391,277,560 | 1.9% | -7.3% |
| **Liabilities** | | | | | |
| Current liabilities | $ 6,630,169 | $ 7,615,785 | $ 17,620,879 | -12.9% | -56.8% |
| Long-term liabilities | 8,409,762 | 10,023,739 | 61,074,851 | -16.1% | -83.6% |
| Total liabilities | 15,039,931 | 17,639,524 | 78,695,730 | -14.7% | -77.6% |
| **Net Position** | | | | | |
| Net investment in capital assets | 312,867,506 | 311,522,353 | 272,072,079 | 0.4% | 14.5% |
| Restricted | 20,179,175 | 19,991,502 | 26,075,170 | 0.9% | -23.3% |
| Unrestricted | 21,647,207 | 13,509,787 | 14,434,581 | 60.2% | -6.4% |
| Total net position | 354,693,888 | 345,023,642 | 312,581,830 | 2.8% | 10.4% |
| Total liabilities and net position | $ 369,733,819 | $ 362,663,166 | $ 391,277,560 | 1.9% | -7.3% |

** In 2013, the Airport restated beginning net position for GASB 65 and prior period adustments totaling $7,537,809. The 2012 amounts presented above have not been adjusted for the restatement.*

### 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%. Ongoing construction and improvements to modernize LIT's terminals and facilities were primary reasons for the increase.

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).

### Net Position, FY 2013

As noted earlier, total net position may serve as a useful indicator of the Airport's financial position. At the close of fiscal years 2013 and 2012, LIT's assets exceeded liabilities by $345.0 million and $312.6 million, respectively, representing a 10.4% increase, or $32.4 million.

The largest portion of LIT's net position ($311.5 million, or 90.3%) 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 ($20.0 million, or 5.8%) represents resources that are subject to various restrictions on how they are used. The remaining balance of $13.5 million (3.9%) may be used to meet LIT's ongoing obligations.

Capital asset additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs and exisiting resources. During fiscal year 2013, capital assets, net of depreciation, increased by $24.4 million, or 8.1%. The significant increase in capital assets was due to tenant facilities reverting to the Airport, including the Hawker Complex and the Dassault Falcon Jet Pre-treatment Facility.

Additionally, the capitalization of the Terminal Redevelopment Program Phase I, which included terminal expansion and major renovation projects as well as the Transportation Security Administration (TSA) funded Advanced Security System and in-line baggage handling system projects, transferred a sizable portion of construction in progress into usable resources.

Restricted current assets include cash and investments held for capital projects funded by PFCs as well as bond debt service funds held by fiscal agents. A significant decrease in restricted assets resulted from the Airport's action to redeem the $9.7 million outstanding on the Series 1999A Airport Revenue Bonds, which shortened the debt service schedule by six years and saved the Airport over $5 million in amortized interest costs.

Unrestricted net position decreased by 6.4% from $14.4 million at December 31, 2012, to $13.5 million at December 31, 2013. 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 2013, the Airport lowered its current (cash) assets with the redemption of the Series 1999A Airport Revenue Bonds. Additionally, the Airport removed over $276,000 held as an allowance for bad debt as a result of the pending American Airlines bankruptcy settlement(s).

## Changes in Net Position Summary

A condensed summary of LIT's changes in net position for fiscal years ended 2014, 2013 and 2012 is presented below:

**Changes in Net Position**

| | 2014 | 2013 | 2012* | FY 2014 increase (decrease) | FY 2013 increase (decrease) |
|---|---|---|---|---|---|
| Operating revenue | $ 30,733,404 | $ 30,628,890 | $ 29,021,283 | $ 104,514 | $ 1,607,607 |
| Less: Operating expenses | 20,101,509 | 19,844,695 | 17,714,241 | 256,814 | 2,130,454 |
| Operating income before depreciation | 10,631,895 | 10,784,195 | 11,307,042 | (152,300) | (522,847) |
| Less: Depreciation | 13,929,312 | 12,014,349 | 11,219,709 | 1,914,963 | 794,640 |
| Operating income (loss) | (3,297,417) | (1,230,154) | 87,333 | (2,067,263) | (1,317,487) |
| Nonoperating revenue, net | 4,288,008 | 7,052,376 | 3,360,225 | (2,764,368) | 3,692,151 |
| Capital contributions and grants | 8,679,655 | 19,081,781 | 16,385,465 | (10,402,126) | 2,696,316 |
| Change in net position | 9,670,246 | 24,904,003 | 19,833,023 | (15,233,757) | 5,070,980 |
| Net position, beginning of year | 345,023,642 | 320,119,639 | 292,748,807 | 24,904,003 | 27,370,832 |
| Net position, end of year | $ 354,693,888 | $ 345,023,642 | $ 312,581,830 | $ 9,670,246 | $ 32,441,812 |

** In 2013, the Airport restated beginning net position for GASB 65 and prior period adustments totaling $7,537,809. The 2012 amounts presented above have not been adjusted for the restatement.*

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 implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during 2013. GASB 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognizes as expenses and revenues certain items that were previously reported as assets and liabilities. Upon implementation of GASB 65, the Airport reduced beginning net position at January 1, 2013, by $450,039 to eliminate previously capitalized bond issuance costs required to be reported as expense in the period incurred under GASB 65.

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.

## Operating Revenue

LIT derives its operating revenue from several major airports business activities. The following table presents a summary of these business activities during fiscal years 2014, 2013 and 2012:

**Summary of Operating Revenue**

| | Fiscal Years Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | FY 2014 increase (decrease) | FY 2013 increase (decrease) |
| **Operating Revenues** | | | | | |
| Airline revenues | | | | | |
| Landing fees | 5,132,689 | 5,041,447 | 5,244,308 | 91,242 | (202,861) |
| Airline rents | 4,592,916 | 4,327,956 | 2,602,749 | 264,960 | 1,725,207 |
| Airline use fees | 143,325 | 145,350 | 224,400 | (2,025) | (79,050) |
| Total airline revenues | $ 9,868,930 | $ 9,514,753 | $ 8,071,457 | $ 354,177 | $ 1,443,296 |
| Nonairline revenues | | | | | |
| Public Parking | 9,434,927 | 9,461,106 | 9,203,938 | (26,179) | 257,168 |
| Concessions | 1,248,579 | 1,168,894 | 1,345,929 | 79,685 | (177,035) |
| Rental Cars | 6,311,336 | 6,167,286 | 6,314,640 | 144,050 | (147,354) |
| Nonairline rents | 3,068,575 | 3,338,192 | 3,336,634 | (269,617) | 1,558 |
| Other | 801,057 | 978,659 | 748,685 | (177,602) | 229,974 |
| Total nonairline revenues | 20,864,474 | 21,114,137 | 20,949,826 | (249,663) | 164,311 |
| Total operating revenues | $ 30,733,404 | $ 30,628,890 | $ 29,021,283 | $ 104,514 | $ 1,607,607 |

*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.

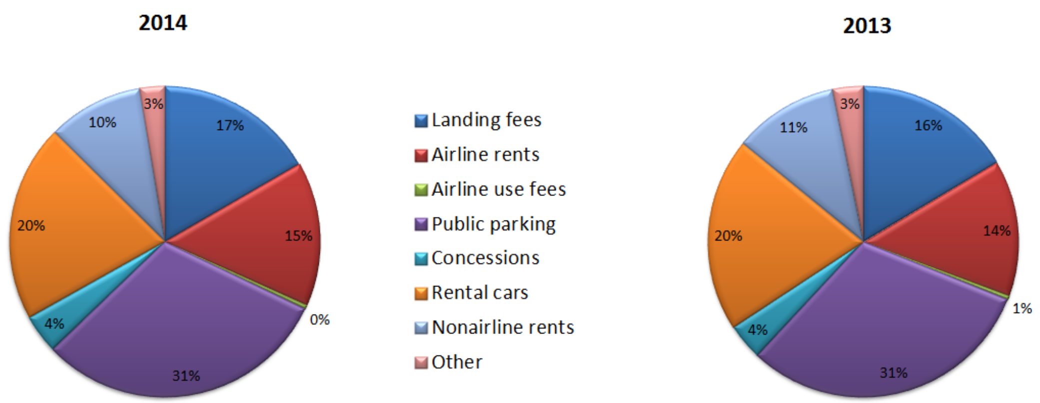
The fees are reconciled at the end of the year using actual expenses and actual weight, and any variance in excess of the discretionary credit is applied to the following year rate. Landing fees are charged to passenger and cargo for commercial aircraft landings, as well as from the fixed-base operators 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.

## 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 $104,514, or 0.3%, increase from the prior fiscal year. The growth in airline revenue was $354,177. Non-airline revenue had a net decrease of $249,663 mostly 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 1.2% decrease) compared to $21.1 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.

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.

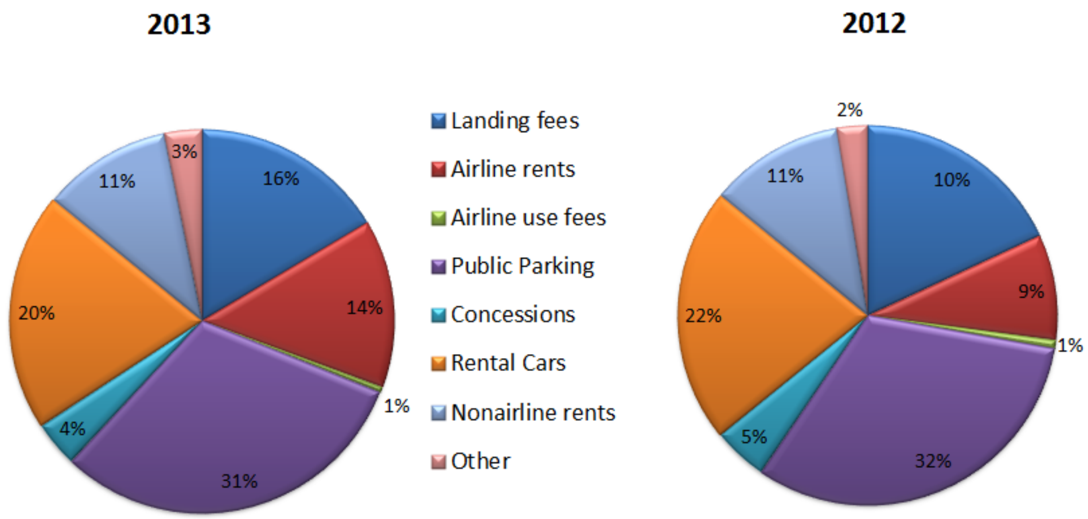
Rental car operations are a combination of various charges imposed on rental car agencies for the privilege of operating at the Airport. As a provision of the 2010 Rental Car Concession Agreement, the agencies paid percentage fees collected on gross revenues of $3.5 million in fiscal year 2014 compared 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, aviation sales tax and services sold, among other things, reflected a decrease of 18.1% in fiscal year 2014 compared to fiscal year 2013.

## Operating Revenue, Fiscal Year 2013

The following charts illustrate the proportion of sources of operating revenue for fiscal years ended December 31, 2013 and 2012:




For fiscal year ended December 31, 2013, total operating revenue was $30.6 million, a $1.6 million ,or 5.5%, increase from the prior fiscal year. The growth in airline revenues was $1.4 million.

For the fiscal years ended December 31, 2013 and 2012, landing fees were $5.0 million and $5.2 million, respectively, for a decrease of $202,861. The landing fee rate of $3.39 remained flat, as LIT increased the discretionary credit to offset the expected loss in landed weights.

Airline rental revenues posted a growth of $1.7 million, or 66.2%, as a result of the increased rate per square foot. The increase in the rental rate 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 2013, nonairline revenues increased $164,311, or 0.8%, compared to fiscal year 2012. While the parking fee rates did not change, a net increase in parking revenues reflected Airport action to add sales tax to the fees collected in the parking areas. Historically, the fees were collected inclusive of the sales tax.

Concessions collected in the terminal for fiscal year 2013 reflected a 13.2% reduction, or $177,035 loss, in revenues compared to fiscal year 2012. The loss is attributable to the decline in passengers.

Similar to concession revenues, rental car revenues totaling $6.2 million for fiscal year 2013 were down from the $6.3 million posted for fiscal year 2012 due to the decline in passengers.

During the FY 2013, the Dassault Falcon Jet Pre-treatment Facility reverted to the Airport. This resulted in an increase in facility rents. Additionally, the Airport was able to lease some of the former Hawker hangar space to Dassault Falcon.

## Operating Expenses

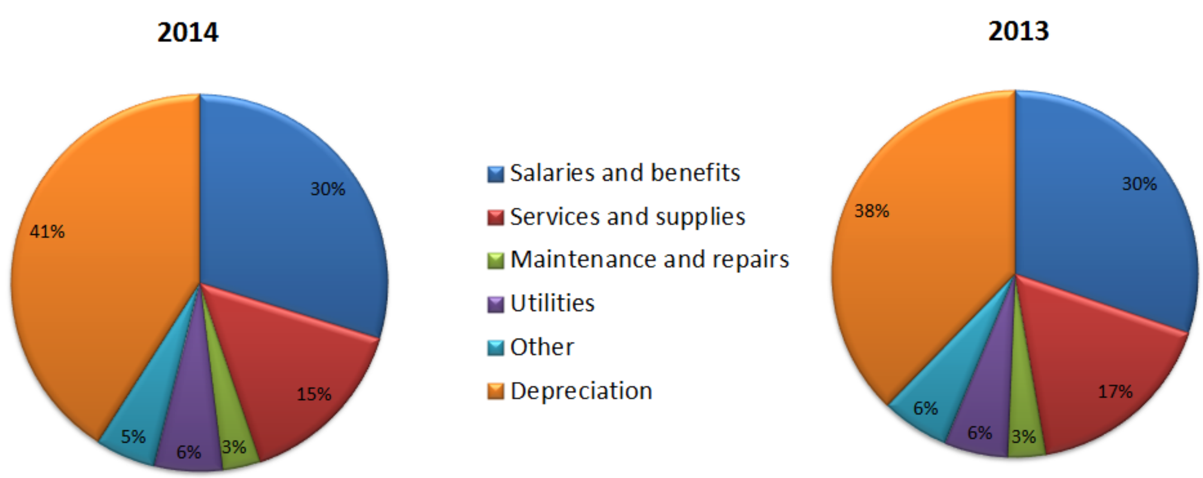
The following table presents a summary of LIT operating expenses for the fiscal years ended December 31, 2014, 2013 and 2012. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease and other miscellaneous items.

**Summary of Operating Expenses**

| | 2014 | 2013 | 2012 | FY 2014 increase (decrease) | FY 2013 increase (decrease) |
|---|---|---|---|---|---|
| Salaries and benefits | $ 10,130,005 | $ 9,632,395 | $ 8,696,469 | $ 497,610 | $ 935,926 |
| Services and supplies | 5,125,363 | 5,434,107 | 5,123,401 | (308,744) | 310,706 |
| Maintenance and repairs | 1,111,564 | 1,071,833 | 675,612 | 39,731 | 396,221 |
| Utilities | 1,974,685 | 1,784,159 | 1,685,278 | 190,526 | 98,881 |
| Other | 1,759,892 | 1,922,201 | 1,533,490 | (162,309) | 388,711 |
| Operating expenses before depreciation | 20,101,509 | 19,844,695 | 17,714,250 | 256,814 | 2,130,445 |
| Depreciation | 13,929,312 | 12,014,349 | 11,219,709 | 1,914,963 | 794,639 |
| Total operating expenses | $ 34,030,821 | $ 31,859,044 | $ 28,933,959 | $ 2,171,777 | $ 2,925,084 |

### 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.

### Operating Expenses, Fiscal Year 2013

The following charts illustrate the proportion of categories of operating expenses for fiscal years ended December 31, 2013 and 2012:


For the fiscal year ended December 31, 2013, operating expenses were $31.9 million, a $2.9 million, or 10.1%, increase from the prior fiscal year. Expense categories that posted notable fluctuations were maintenance and repairs, up by $396,221, or 58.6%; salaries and benefits, up $935,926, or 10.8%; and depreciation, up by $794,639. The remaining expense accounts had an aggregate increase of $792,148.

For maintenance and repairs, the primary reason for increased costs was the added facilities and the installation of the in-line BHS, including spare parts on hand. These added costs were reflected in the airline rates and charges. While improvements also added costs to utilities, much of these costs were offset with savings from energy improvements that resulted in guaranteed savings.

Salaries and benefits increased as a result of filling vacant and frozen positions, average merit increases of 4% and added costs related to changes in employee benefits including medical, insurance and retirement.

Marketing and special events increased other expenses by $120,000 with the celebration of the completion of the extensive Terminal Redevelopment Program (Phase I) including administrative, airline and lobby renovations, enhancements to checkpoint security, state of the art security and information systems and a new in-line BHS and associated facilities.

In May 2013, the Commission chose to honor former President Bill Clinton and Secretary of State Hillary Clinton with a dedication of the terminal to their prestigious name.

Depreciation increased by 7.1% in fiscal year 2013 where the increase reflects the capitalization of the aggressive capital investment program undertaken in recent years, including terminal renovations, and several airfield projects.

## 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 2014, 2013 and 2012:

**Summary of Nonoperating Transactions**

| | 2014 | 2013 | 2012 | FY 2014 increase (decrease) | FY 2013 increase (decrease) |
|---|---|---|---|---|---|
| Nonoperating revenue | | | | | |
| Passenger facility charges | $ 4,060,772 | $ 4,307,994 | $ 4,574,608 | $ (247,222) | $ (266,614) |
| Federal operating grants | 358,928 | 264,963 | 326,200 | 93,965 | (61,237) |
| Interest income | 201,345 | 191,195 | 293,210 | 10,150 | (102,015) |
| Gain on disposal of assets | 11,186 | 48,394 | 96,268 | (37,208) | (47,874) |
| Other nonoperating revenue | 60,085 | 2,765,321 | 82,825 | (2,705,236) | 2,682,496 |
| Total nonoperating revenue | $ 4,692,316 | $ 7,577,867 | $ 5,373,111 | $ (2,885,551) | $ 2,204,756 |
| Nonoperating expense | | | | | |
| Interest expense, net of capitalized interest | $ 395,560 | $ 377,462 | $ 1,213,058 | $ 18,098 | $ (835,596) |
| Paying agents and trustees | 8,748 | 8,092 | 64,415 | 656 | (56,323) |
| Loss on disposal of assets | - | 139,937 | - | (139,937) | 139,937 |
| Other nonoperating expense | - | - | 735,423 | - | (735,423) |
| Total nonoperating expenses | $ 404,308 | $ 525,491 | $ 2,012,896 | $ (121,183) | $ (1,487,405) |
| Capital contributions and grants | | | | | |
| Federal, state and local grants | $ 6,777,321 | $ 5,963,917 | $ 13,467,228 | $ 813,404 | $ (7,503,311) |
| Contributions from lessees | 1,902,334 | 13,117,864 | 2,918,237 | (11,215,530) | 10,199,627 |
| Total capital contributions and grants | $ 8,679,655 | $ 19,081,781 | $ 16,385,465 | $ (10,402,126) | $ 2,696,316 |

### 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.

The disposal of assets provided $11,186 in surplus revenues from the sale of capital assets during the fiscal year. This gain is in comparison to the other nonoperating expense of $48,394 in 2013.

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.

### Nonoperating Transactions, Fiscal Year 2013

PFCs are imposed on enplaning passengers. For fiscal year 2013, the reduction of $266,614 in PFCs from the prior fiscal year represents a 5.8% decline in collections aligned with the loss in passenger traffic.

The decrease of 18.8% in federal operating grants reflects a reduction in LEO check point services based on the flexible work schedule established with the City of Little Rock agreement signed on October 5, 2013.

During fiscal year 2013, interest income decreased 34.8% due to lower cash balances resulting from the payoff of Series 1999A bond debt. Consequently, interest expense, amortized bond costs and trustee fees were significantly decreased as a result of this action.

The disposal of assets provided $48,394 in surplus revenues from the sale of capital assets during the fiscal year. However, this increase was offset with losses reported for the Flight Safety Training Facility and the Standard Aero Building, which were demolished for the Dassault Falcon Jet expansion.

In early 2013, the Airport collected a settlement resulting from a 10-year dispute with Timex Corporation (Timex). The pending litigation resulted from a 2004 Consent Administrative Order with the Arkansas Department of Environmental Quality (ADEQ), whereas the findings provided the risk assessment and remedial measures considered for the contamination of on-airport properties leased by Timex. The award included a $2.0 million settlement and $550,000 in reimbursement costs to the Airport. Additionally, Timex signed an agreement with ADEQ on February 24, 2014, to remediate any contaminated airport properties. The Airport also received a $140,000 settlement following successful legal action associated with Redstone Construction.

Capital contributions increased $5.8 million, or 43.4%, compared to contributions reported for fiscal year 2012. The increase results primarily from the reversion of the Dassault Falcon Jet Pre-Treatment Facility and Hawker complex. The 42.3% reduction in federal, state and local grants reflects monies received in 2012 through the American Recovery and Reinvestment Act of 2009 (ARRA) and provided by TSA for the in-line BHS and the advanced surveillance equipment installed at the airport. Fiscal year 2013, grant receipts included primarily AIP entitlement grants.

## Capital Assets

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

| | 2014 | 2013 | 2012 | FY 2014 increase (decrease) | FY 2013 increase (decrease) |
|---|---|---|---|---|---|
| Land | $ 63,988 | $ 61,795 | $ 63,363 | $ 2,193 | $ (1,568) |
| Construction work in progress | 9,290 | 15,137 | 85,833 | (5,847) | (70,696) |
| Capital assets not depreciated | 73,278 | 76,932 | 149,196 | (3,654) | (72,264) |
| | | | | | |
| Buildings, improvements and other | 359,419 | 343,829 | 271,360 | 15,590 | 72,469 |
| Equipment | 19,850 | 19,337 | 12,792 | 513 | 6,545 |
| Airport pavement | 33,330 | 32,980 | 3,687 | 350 | 29,293 |
| Capital assets depreciated | 412,599 | 396,146 | 287,839 | 16,453 | 108,307 |
| Less: accumulated depreciation | (160,818) | (147,202) | (135,542) | (13,616) | (11,660) |
| Net Capital Assets | $ 325,059 | $ 325,876 | $ 301,493 | $ (817) | $ 24,383 |

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, 2014 and 2013, was $325.1 million and $325.9 million, respectively. This investment, which accounts for 87.9% and 89.9% of LIT’s total assets as of December 31, 2014 and 2013, respectively, includes land, buildings, improvements, equipment and vehicles and construction in progress.

### 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

### Capital Assets, Fiscal Year 2013

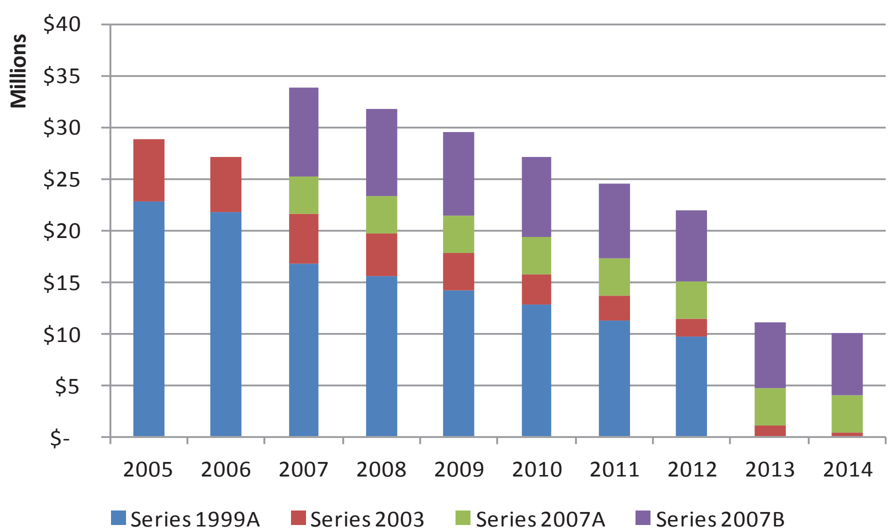
The following assets were capitalized during fiscal year 2013:

- Area 1 land acquisition – $10.6 million
- FBO Ramp Improvements – $7.1 million
- Runway 18/36 Extension (Phase 2 & 2B) – $11.6 million
- Renovation of fire station – $2.8 million
- Airfield signage and lighting – $3.9 million
- Airfield Maintenance Facility – $9.4 million
- Terminal redevelopment and upgrades – $58.2 million
- Airfield vehicles and equipment – $926,000
- Computer system upgrades – $359,000

## Long-Term Debt

As of December 31, 2014, the Airport had $10.0 million in outstanding debt compared to $11.2 million at the end of the prior year.

As of December 31, 2014, the Airport had $1.1 million held in reserves by the fiscal agent that is pledged for the payment or security of the outstanding bonds. At December 31, 2013, the reserve balance totaled $1.9 million. In April 2014,the reserve was transferred into the sinking fund in preparation for the final debt service payment in 2015 on the Series 2003 Airport Revenue Bonds. With significant balances reflected in the sinking fund, the Airport's commitment to the bonds was complete. See Note 5 of the Financial Statements for more details about the Airport's long-term debt.



## Credit Ratings

In FY 2014, 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) moderate cost structure and low debt per passenger, and (3) good liquidity position. The outlook remained as stable.

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) 537-7324.

Sylvia Ambrogio, AAE
Director of Finance/CFO

David Tipton, CPA, CFA, CM
Controller

# Basic Financial Statements

# BALANCE SHEETS

December 31, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 17,883,780 | $ 11,762,492 |
| Cash and cash equivalents – restricted | 514,132 | 526,581 |
| Trade accounts receivable, net | 646,812 | 784,633 |
| Grants receivable | 5,463,609 | 3,778,604 |
| Prepaid expenses | 380,714 | 298,413 |
| Total current assets | 24,889,047 | 17,150,723 |
| **Noncurrent Assets** | | |
| Cash and cash equivalents – restricted | 19,452,125 | 19,222,464 |
| Passenger facility charges receivable – restricted | 288,271 | 325,123 |
| Nondepreciable capital assets | 73,278,046 | 76,932,432 |
| Depreciable capital assets, net | 251,780,928 | 248,943,460 |
| Total noncurrent assets | 344,799,370 | 345,423,479 |
| Total assets | 369,688,417 | 362,574,202 |
| **Deferred Outflows of Resources** | | |
| Deferred amounts on refundings | 45,402 | 88,964 |
| Total assets and deferred outflows of resources | $ 369,733,819 | $ 362,663,166 |

*See Notes to Financial Statements*

| | 2014 | 2013 |
|---|---|---|
| **Liabilities and Net Position** | | |
| **Current Liabilities** | | |
| **Payable From Unrestricted Assets** | | |
| Accounts payable – trade | $ 851,146 | $ 1,382,895 |
| Accrued wages and benefits | 1,558,613 | 1,478,105 |
| Due to City of Little Rock | 100,275 | 100,275 |
| Due to other governmental units | 28,210 | 64,888 |
| Security deposits and unearned revenue | 189,464 | 88,192 |
| Total current liabilities payable from unrestricted assets | 2,727,708 | 3,114,355 |
| **Payable from Restricted Assets** | | |
| Accounts payable – construction | 2,213,131 | 3,210,262 |
| Accrued interest | 75,353 | 82,666 |
| Current maturites of revenue bonds | 1,613,977 | 1,208,502 |
| Total current liabilities payable from restricted assets | 3,902,461 | 4,501,430 |
| Total current liabilities | 6,630,169 | 7,615,785 |
| **Noncurrent Liabilities** | | |
| Revenue bonds payable | 8,409,762 | 10,023,739 |
| Total noncurrent liabilities | 8,409,762 | 10,023,739 |
| Total liabilities | 15,039,931 | 17,639,524 |
| **Net Position** | | |
| Net investment in capital assets | 312,867,506 | 311,522,353 |
| Restricted for: | | |
| Capital projects | 17,737,136 | 16,789,709 |
| Debt service | 2,442,039 | 3,201,793 |
| Total restricted net position | 333,046,681 | 331,513,855 |
| Unrestricted | 21,647,207 | 13,509,787 |
| Total net position | 354,693,888 | 345,023,642 |
| Total liabilities and net position | $ 369,733,819 | $ 362,663,166 |

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| **Operating Revenues** | | |
| **Airline Revenues** | | |
| Airport landing and related fees | $ 5,132,689 | $ 5,041,447 |
| Terminal building rentals and related fees | 4,592,916 | 4,327,956 |
| Facility use fees | 143,325 | 145,350 |
| Total airline revenues | 9,868,930 | 9,514,753 |
| **Nonairline Revenues** | | |
| Parking fees | 9,434,927 | 9,461,106 |
| Concession fees | 1,248,579 | 1,168,894 |
| Car rental operations | 6,311,336 | 6,167,286 |
| Facility and ground rentals | 3,068,575 | 3,338,192 |
| Ground transportation | 102,849 | 94,244 |
| Services sold | 336,260 | 330,424 |
| General aviation activity | 166,749 | 151,562 |
| Other | 195,199 | 402,429 |
| Total nonairline revenues | 20,864,474 | 21,114,137 |
| Total operating revenues | 30,733,404 | 30,628,890 |
| **Operating Expenses** | | |
| Salaries, wages and employee benefits | 10,130,005 | 9,632,395 |
| Professional and contractual services | 4,265,209 | 4,493,246 |
| Buildings and grounds maintenance | 359,459 | 303,231 |
| Equipment repair and maintenance | 752,105 | 768,602 |
| Marketing and public affairs | 112,667 | 324,732 |
| Utilities | 1,974,685 | 1,784,159 |
| Materials and supplies | 860,154 | 940,861 |
| Insurance | 371,617 | 364,230 |
| Other | 1,275,608 | 1,233,239 |
| Total operating expenses | 20,101,509 | 19,844,695 |
| **Income from Operations Before Depreciation** | 10,631,895 | 10,784,195 |
| Depreciation | 13,929,312 | 12,014,349 |
| **Loss from Operations** | (3,297,417) | (1,230,154) |

*See Notes to Financial Statements*

| | 2014 | 2013 |
|---|---|---|
| **Nonoperating Revenues (Expenses)** | | |
| Passenger facility charges | $ 4,060,772 | $ 4,307,994 |
| Federal operating grants | 358,928 | 264,963 |
| Interest income | 201,345 | 191,195 |
| Interest expense, net of interest capitalized; 2014 - $88,183, 2013 - $243,464 | (395,560) | (377,462) |
| Gain (loss) on disposal of assets | 11,186 | (91,543) |
| Paying agent and trustee fees | (8,748) | (8,092) |
| Environmental remediation settlement | - | 2,550,000 |
| Other nonoperating income | 60,085 | 215,321 |
| | 4,288,008 | 7,052,376 |
| **Increase in Net Position Before Capital Contributions and Grants** | 990,591 | 5,822,222 |
| **Capital Contributions and Grants** | | |
| Federal, state and local grants | 6,777,321 | 5,963,917 |
| Contributions from lessees | 1,902,334 | 13,117,864 |
| | 8,679,655 | 19,081,781 |
| **Increase in Net Position** | 9,670,246 | 24,904,003 |
| **Net Position, Beginning of Year** | 345,023,642 | 320,119,639 |
| **Net Position, End of Year** | $ 354,693,888 | $ 345,023,642 |

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| **Operating Activities** | | |
| Receipts from providing services | $ 30,871,225 | $ 30,740,292 |
| Payments to vendors for goods and services | (10,520,960) | (10,782,898) |
| Payments of salaries, wages and benefits | (10,049,497) | (9,426,563) |
| Net cash provided by operating activities | 10,300,768 | 10,530,831 |
| **Noncapital Financing Activites** | | |
| Operating grants received | 358,928 | 264,963 |
| Environmental remediation settlement | - | 2,550,000 |
| Nonoperating reimbursements | 60,085 | 215,321 |
| Net cash provided by noncapital financing activities | 419,013 | 3,030,284 |
| **Capital and Related Financing Activities** | | |
| Principal paid on bonds | (1,160,000) | (10,779,999) |
| Interest paid on bonds | (407,813) | (429,710) |
| Proceeds from sale of capital assets | 11,186 | 35,048 |
| Acquisition and construction of capital assets | (12,207,191) | (31,385,769) |
| Receipts from federal and state grants | 5,092,316 | 14,250,990 |
| Receipts from passenger facility charges | 4,097,624 | 4,422,460 |
| Amounts paid for agent and trustee fees | (8,748) | (8,092) |
| Net cash used in capital and related financing activities | (4,582,626) | (23,895,072) |
| **Investing Activities** | | |
| Interest received on cash equivalents | 201,345 | 191,195 |
| Net cash provided by investing activities | 201,345 | 191,195 |
| **Net Change in Cash and Cash Equivalents** | 6,338,500 | (10,142,762) |
| **Cash and Cash Equivalents, Beginning of Year** | 31,511,537 | 41,654,299 |
| **Cash and Cash Equivalents, End of Year** | $ 37,850,037 | $ 31,511,537 |

*See Notes to Financial Statements*

| | 2014 | 2013 |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash Provided by Operating Activities** | | |
| Operating loss | $ (3,297,417) | $ (1,230,154) |
| Item not requiring cash | | |
| Depreciation expense | 13,929,312 | 12,014,349 |
| Change in assets and liabilities: | | |
| Accounts receivable | 137,821 | 111,402 |
| Prepaid expenses | (82,301) | 31,615 |
| Accounts payable | (467,155) | (602,213) |
| Accrued expenses and other current liabilites | 80,508 | 205,832 |
| Net cash provided by operating activities | $ 10,300,768 | $ 10,530,831 |
| **Noncash Capital and Related Financing Activities** | | |
| Capital assets contributed by lessees | $ 1,902,334 | $ 13,117,864 |
| **Supplemental Cash Flows Information** | | |
| Changes in payables for Acquisition and Construction of Capital assets and Improvements | $ (997,131) | $ (7,979,747) |

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

The Bill and Hillary Clinton National Airport (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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash 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, 2014 and 2013, 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 $4,060,722 and $4,307,994 for December 31, 2014 and 2013, 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 facillity's capital reserve fund. The $3.50 CFC became effective December 2009. CFC revenue totaled $2,419,357 and $2,489,027 for the years ended December 31, 2014 and 2013, 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 methos 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 $1,902,334 and $12,873,589 for the years ended December 31, 2014 and 2013, 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 $395,560 and $377,462 for the years ended December 31, 2014 and 2013 respectively, while interest capitalized as part of the cost of constructed assets was $88,183 and $243,464, 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 on 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 2013 financial statements to conform to the 2014 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, 2014 and 2013, 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 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 | $ - | $ - | $ - |

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | | Maturities in Years | | | |
| **Type** | **Fair Value** | **Less than 1** | **1–5** | **6–10** | **More than 10** |
| Money market mutual funds | $ 3,284,459 | $ 3,284,459 | $ - | $ - | $ - |
| | $ 3,284,459 | $ 3,284,459 | $ - | $ - | $ - |

***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 and 2013, 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 and 2013, 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:

| | 2014 | 2013 |
|---|---|---|
| Carrying value | | |
| Deposits | $ 35,332,645 | $ 28,227,078 |
| Investments | 2,517,392 | 3,284,459 |
| | $ 37,850,037 | $ 31,511,537 |
| Included in balance sheets | | |
| Current assets | | |
| Cash and cash equivalents | $ 17,883,780 | $ 11,762,492 |
| Restricted cash and cash equivalents – current | 514,132 | 526,581 |
| Noncurrent assets | | |
| Cash and cash equivalents – restricted | 19,452,125 | 19,222,464 |
| | $ 37,850,037 | $ 31,511,537 |

### *Restricted Cash, Cash Equivalents and Investment Securities*

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

| | 2014 | 2013 |
|---|---|---|
| Revenue Bond Interest and Principal Funds | $ 514,132 | $ 526,581 |
| Revenue Bond Reserve Funds | 1,132,327 | 1,887,032 |
| Construction Project Accounts | 870,933 | 870,846 |
| Passenger Facility Charge Fund | 17,448,865 | 16,464,586 |
| | $ 19,966,257 | $ 19,749,045 |

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, 2014 and 2013, consist of:

| | 2014 | 2013 |
|---|---|---|
| Federal Aviation Administration | $ 2,968,214 | $ 2,489,938 |
| U.S. Department of Homeland Security | 2,495,395 | 1,288,666 |
| | $ 5,463,609 | $ 3,778,604 |

## Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2014 and 2013, is as follows:

| | 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 | 76,932,432 | 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 |
| 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 | $ 325,875,892 | $ (807,745) | $ 9,173 | $ - | $ 325,058,974 |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers/ Reclassifications | Ending Balance |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 63,362,622 | $ - | $ - | $ (1,567,327) | $ 61,795,295 |
| Construction in progress | 85,833,289 | 22,009,618 | - | (92,705,770) | 15,137,137 |
| Total capital assets, not being depreciated | 149,195,911 | 22,009,618 | - | (94,273,097) | 76,932,432 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements: | | | | | |
| Buildings, improvements | 271,352,858 | 13,311,821 | 312,962 | 54,512,261 | 338,863,978 |
| Airport pavement | 3,687,190 | - | - | 29,292,436 | 32,979,626 |
| Other improvements | 7,023 | - | - | 4,957,734 | 4,964,757 |
| | 275,047,071 | 13,311,821 | 312,962 | 88,762,431 | 376,808,361 |
| Equipment, furniture and fixtures: | | | | | |
| Furniture, fixtures | 474,645 | - | 8,414 | 1,562,357 | 2,028,588 |
| Equipment | 9,131,219 | 720,152 | 100,770 | 3,820,079 | 13,570,680 |
| Rolling stock | 1,295,745 | 438,101 | 72,161 | (25,560) | 1,636,125 |
| Fire trucks | 1,890,351 | 57,540 | - | 153,790 | 2,101,681 |
| | 12,791,960 | 1,215,793 | 181,345 | 5,510,666 | 19,337,074 |
| Total capital assets, being depreciated | 287,839,031 | 14,527,614 | 494,307 | 94,273,097 | 396,145,435 |
| Total accumulated depreciation | 135,541,996 | 12,014,349 | 354,370 | - | 147,201,975 |
| Total capital assets, being depreciated, net | 152,297,035 | 2,513,265 | 139,937 | 94,273,097 | 248,943,460 |
| Capital assets, net | $ 301,492,946 | $ 24,522,883 | $ 139,937 | $ - | $ 325,875,892 |

## Note 5: Long-Term Debt

Long-term debt activity of the Airport during the years ended December 31, 2014 and 2013, consisted of:

**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 |

**2013**

| | Beginning Balance | Additions | Reductions | Ending Balance | Due in One Year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 21,900,000 | $ - | $ (10,780,000) | $ 11,120,000 | $ 1,160,000 |
| Unamortized discount/premium | 132,527 | - | (20,286) | 112,241 | 48,502 |
| | $ 22,032,527 | $ - | $ (10,800,286) | $ 11,232,241 | $ 1,208,502 |

### *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 bear interest rates ranging from 3.75 percent to 5 percent.

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 Term Bonds maturing November 1, 2020 and 2024 are subject to mandatory sinking fund payments, beginning November 1, 2017. Additionally, the Series 2007 Serial Bonds are subject to optional redemption at various dates in the future. The 2007 Bonds bear interest rates ranging from 4 percent to 4.2 percent.

### *Debt Service Requirements*

Debt service requirements to maturity for all debt of the Airport, excluding any unamortized discount or premium, are as follows at December 31, 2014:

| Year Ending | 2003 Series | | 2007 Series A | | 2007 Series B | | Total | |
|---|---|---|---|---|---|---|---|---|
| December 31, | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | $ 385,000 | $ 14,438 | $ 725,000 | $ 148,230 | $ 455,000 | $ 289,450 | $ 1,565,000 | $ 452,118 |
| 2016 | - | - | 760,000 | 119,230 | 475,000 | 271,250 | 1,235,000 | 390,480 |
| 2017 | - | - | - | 88,830 | 495,000 | 252,250 | 495,000 | 341,080 |
| 2018 | - | - | - | 88,830 | 515,000 | 227,500 | 515,000 | 316,330 |
| 2019 | - | - | - | 88,830 | 545,000 | 201,750 | 545,000 | 290,580 |
| 2020-2024 | - | - | 415,000 | 444,150 | 3,490,000 | 373,500 | 3,905,000 | 817,650 |
| 2025-2026 | - | - | 1,700,000 | 56,070 | - | - | 1,700,000 | 56,070 |
| | $ 385,000 | $ 14,438 | $ 3,600,000 | $ 1,034,170 | $ 5,975,000 | $ 1,615,700 | $ 9,960,000 | $ 2,664,308 |

## 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 Requirement 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 initially required the Airport to contribute 4.00% of the salary of all participating employees and the employees to contribute 3.50%. Beginning January 1, 2013, the employer's contribution increased to 8.00% and the employees' contribution increased to 4.25%. Effective January 1, 2014, the employer contribution increased to 10.00% and the employees' contribution increased to 5.00%. The Airport's contribution to this plan amounted to $750,313 and $657,739 for the years ended December 31, 2014 and 2013, respectively.

The Airport also established a 457(b) deferred compensation plan during 2013 that requires the Airport to match the employee's contribution up to 3%. 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 emplyees until termination, retirement, death or an unforeseeable emergency. 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 this plan amounted to $137,833 and $129,596 for the years ended December 31, 2014 and 2013, 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, 2014, are as follows:

| | | |
|---|---|---|
| 2015 | $ | 7,826,952 |
| 2016 | | 5,604,038 |
| 2017 | | 3,542,169 |
| 2018 | | 3,497,606 |
| 2019 | | 3,567,558 |
| Thereafter | | 33,547,587 |
| | $ | 57,585,910 |

Contingent rentals and fees aggregated approximately $518,809 and $458,022 in 2014 and 2013, respectively.

## 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, Federal Aviation Administration grants, Transportation Security Administration grants or Arkansas Department of Aeronautics grants. At December 31, 2014, the Airport had the following commitments:

| | Project Authorization | Expended Through December 31, 2014 | Remaining Commitment |
|---|---|---|---|
| Airfield | $ 9,874,328 | $ 6,260,313 | $ 3,614,015 |
| Terminal | 35,528,739 | 14,327,592 | 21,201,147 |
| Parking and Roadways | 576,275 | 38,034 | 538,241 |
| Property Acquisitions | 1,015,000 | 70,078 | 944,922 |
| Total | 46,994,342 | 20,696,017 | 26,298,325 |

### *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 the years ended December 31, 2014 and 2013, the Airport reimbursed the City of Little Rock, Arkansas, for approximately $3.3 million and $3.2 million, respectively, 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.


# STATISTICAL SECTION

As Arkansas' largest commercial airport serving approximately 2.1 million passengers last year, Bill and Hillary Clinton National is home to six airlines with more than 70 daily arrivals and departures. Airlines operating at Clinton National provide service to 14 nonstop destinations.

# Statistical Section Contents

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, 2014

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Net Position** | | | | | |
| Net investment in capital assets | $ 312,867,506 | $ 311,522,353 | $ 260,583,852 | $ 231,881,367 | $ 216,514,933 |
| Restricted for: | | | | | |
| Debt Service | 2,442,039 | 3,201,793 | 5,025,266 | 5,873,623 | 6,115,070 |
| Capital projects | 17,737,136 | 16,789,709 | 19,131,475 | 28,569,414 | 30,075,637 |
| Unrestricted | 21,647,207 | 13,509,787 | 27,841,237 | 26,424,403 | 23,883,278 |
| **Total net position** | $ 354,693,888 | $ 345,023,642 | $ 312,581,830 | $ 292,748,807 | $ 276,588,918 |

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Net Position** | | | | | |
| Net investment in capital assets | $ 202,376,277 | $ 187,291,345 | $ 179,209,502 | $ 175,527,590 | $ 162,196,772 |
| Restricted for: | | | | | |
| Debt Service | 6,576,831 | 10,864,110 | 13,072,054 | 6,619,464 | 6,488,063 |
| Capital projects | 27,661,055 | 23,487,744 | 21,415,039 | 16,554,435 | 12,069,572 |
| Unrestricted | 22,657,321 | 23,250,989 | 15,840,195 | 16,375,841 | 19,554,781 |
| **Total net position** | $ 259,271,484 | $ 244,894,188 | $ 229,536,790 | $ 215,077,330 | $ 200,309,188 |

*Source: Airport audited financial statements*

# Changes in Net Position
## Fiscal Years Ended December 31

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Airline revenues | $ 9,868,930 | $ 9,514,753 | $ 8,071,457 | $ 8,072,734 | $ 8,153,611 |
| Nonairline revenues | 20,864,474 | 21,114,137 | 20,949,826 | 19,449,781 | 17,156,226 |
| Total operating revenues | 30,733,404 | 30,628,890 | 29,021,283 | 27,522,515 | 25,309,837 |
| **Operating Expenses** | | | | | |
| Salaries, wages and employee benefits | 10,130,005 | 9,632,395 | 8,696,469 | 7,903,938 | 7,806,594 |
| Services and supplies | 5,125,363 | 5,434,107 | 5,123,392 | 4,381,345 | 3,982,900 |
| Maintenance and repairs | 1,111,564 | 1,071,833 | 675,612 | 987,523 | 1,187,713 |
| Utilities | 1,974,685 | 1,784,159 | 1,685,278 | 1,728,233 | 1,549,086 |
| Other | 1,759,892 | 1,922,201 | 1,533,490 | 1,293,400 | 1,441,397 |
| Total operating expenses | 20,101,509 | 19,844,695 | 17,714,241 | 16,294,439 | 15,967,690 |
| Operating income before depreciation | 10,631,895 | 10,784,195 | 11,307,042 | 11,228,076 | 9,342,146 |
| Depreciation | 13,929,312 | 12,014,349 | 11,219,709 | 10,654,708 | 10,211,882 |
| Operating income (loss) | (3,297,417) | (1,230,154) | 87,333 | 573,368 | (869,736) |
| **Nonoperating Revenue (Expenses)** | | | | | |
| Passenger facility charges | 4,060,772 | 4,307,994 | 4,716,821 | 4,582,970 | 4,715,232 |
| Federal operating grants | 358,928 | 264,963 | 326,200 | 31,231 | 291,041 |
| Interest income | 201,345 | 191,195 | 150,997 | 177,198 | 303,027 |
| Interest expense | (395,560) | (377,462) | (1,213,058) | (1,328,827) | (1,435,651) |
| Gain (loss) on disposal of assets | 11,186 | (91,543) | 96,268 | (22,697) | 23,058 |
| Paying agents and trustees | (8,748) | (8,092) | (64,415) | (18,976) | (13,505) |
| Other nonoperating revenue (expense) | 60,085 | 2,765,321 | (652,590) | - | (80,540) |
| | 4,288,008 | 7,052,376 | 3,360,223 | 3,420,899 | 3,802,662 |
| **Income (Loss) Before Capital Contributions** | 990,591 | 5,822,222 | 3,447,556 | 3,994,267 | 2,932,926 |
| Federal, state and local grants | 6,777,321 | 5,963,917 | 13,467,228 | 8,361,058 | 10,576,263 |
| Contributions from lessees | 1,902,334 | 13,117,864 | 2,918,239 | 3,804,564 | 3,808,245 |
| **Increase in Net Position** | 9,670,246 | 24,904,003 | 19,833,023 | 16,159,889 | 17,317,434 |
| **Net position, Beginning of Year*** | 345,023,642 | 320,119,639 | 292,748,807 | 276,588,918 | 259,271,484 |
| **Net Position, End of Year** | $ 354,693,888 | $ 345,023,642 | $ 312,581,830 | $ 292,748,807 | $ 276,588,918 |

*Source: Airport audited financial statements*

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

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Airline revenues | $ 8,029,349 | $ 8,973,551 | $ 6,520,064 | $ 5,973,987 | $ 5,630,486 |
| Nonairline revenues | 15,293,964 | 15,813,241 | 15,388,966 | 13,873,412 | 12,878,324 |
| Total operating revenues | 23,323,313 | 24,786,792 | 21,909,030 | 19,847,399 | 18,508,810 |
| **Operating Expenses** | | | | | |
| Salaries, wages and employee benefits | 7,779,894 | 7,350,994 | 7,140,047 | 5,968,493 | 5,311,719 |
| Services and supplies | 3,679,841 | 5,577,843 | 5,245,119 | 5,651,156 | 5,324,142 |
| Maintenance and repairs | 1,036,633 | 943,362 | 805,721 | 874,962 | 728,139 |
| Utilities | 1,696,671 | 1,738,131 | 1,450,193 | 1,376,059 | 1,237,385 |
| Other | 1,170,446 | 1,193,969 | 930,942 | 772,265 | 282,632 |
| Total operating expenses | 15,363,485 | 16,804,299 | 15,572,022 | 14,642,935 | 12,884,017 |
| Operating income before depreciation | 7,959,828 | 7,982,493 | 6,337,008 | 5,204,464 | 5,624,793 |
| Depreciation | 9,766,686 | 7,056,684 | 7,038,443 | 6,573,038 | 6,354,364 |
| Operating income (loss) | (1,806,858) | 925,809 | (701,435) | (1,368,574) | (729,571) |
| **Nonoperating Revenue (Expenses)** | | | | | |
| Passenger facility charges | 4,882,731 | 5,327,845 | 6,051,964 | 5,835,624 | 5,578,009 |
| Federal operating grants | (2,357,757) | 330,011 | 320,090 | - | - |
| Interest income | 398,848 | 643,961 | 1,407,997 | 1,308,292 | 915,940 |
| Interest expense | (1,534,716) | (1,659,148) | (1,744,635) | (1,447,301) | (1,517,094) |
| Gain (loss) on disposal of assets | (3,319) | (11,209) | - | (13,937) | 195 |
| Paying agents and trustees | (8,505) | (8,327) | (13,505) | (8,395) | (8,295) |
| Other nonoperating revenue (expense) | (38,733) | 39,937 | 24,173 | (10,236) | 4,753 |
| | 1,338,549 | 4,663,070 | 6,046,084 | 5,664,047 | 4,973,508 |
| **Income (Loss) Before Capital Contributions** | (468,309) | 5,588,879 | 5,344,649 | 4,295,473 | 4,243,937 |
| Federal, state and local grants | 11,221,953 | 7,520,336 | 6,770,015 | 8,087,528 | 4,484,956 |
| Contributions from lessees | 3,623,652 | 2,248,183 | 2,344,796 | 2,385,141 | 2,341,398 |
| **Increase in Net Position** | 14,377,296 | 15,357,398 | 14,459,460 | 14,768,142 | 11,070,291 |
| **Net position, Beginning of Year*** | 244,894,188 | 229,536,790 | 215,077,330 | 200,309,188 | 189,238,897 |
| **Net Position, End of Year** | $ 259,271,484 | $ 244,894,188 | $ 229,536,790 | $ 215,077,330 | $ 200,309,188 |

# Operating Revenues and Ratios
## Fiscal Years Ended December 31

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Airline revenues** | | | | | |
| Landing fees | $ 5,132,689 | $ 5,041,447 | $ 5,244,308 | $ 5,252,828 | $ 5,325,861 |
| Terminal building rentals [1] | 4,592,916 | 4,327,956 | 2,602,749 | 2,584,307 | 2,582,400 |
| Facility use fees | 143,325 | 145,350 | 224,400 | 235,600 | 245,350 |
| **Total airline revenues** | 9,868,930 | 9,514,753 | 8,071,457 | 8,072,734 | 8,153,611 |
| Parking and roadway operations | | | | | |
| Parking fees | 9,434,927 | 9,461,106 | 9,203,938 | 8,924,613 | 9,058,860 |
| Ground transportation | 102,849 | 94,244 | 103,745 | 85,312 | 133,135 |
| | 9,537,776 | 9,555,350 | 9,307,683 | 9,009,925 | 9,191,995 |
| Concession revenues | | | | | |
| Rental car percentage fees | 3,546,003 | 3,445,881 | 3,631,297 | 3,301,949 | 3,188,670 |
| Terminal concession revenues | 1,248,579 | 1,168,894 | 1,345,929 | 1,179,707 | 1,175,092 |
| | 4,794,582 | 4,614,775 | 4,977,226 | 4,481,655 | 4,363,762 |
| Building rentals | | | | | |
| Terminal | 251,285 | 245,133 | 240,234 | 263,276 | 357,369 |
| Rental car | 345,976 | 232,378 | 120,633 | - | - |
| Other buildings | 1,275,791 | 1,326,108 | 1,326,457 | 1,574,566 | 1,522,458 |
| | 1,873,052 | 1,803,618 | 1,687,324 | 1,837,842 | 1,879,827 |
| Land Leases | 1,541,499 | 1,766,950 | 1,769,942 | 1,126,085 | 1,132,066 |
| Other Revenues | | | | | |
| Rental car CFC [2] | 2,419,357 | 2,489,027 | 2,562,711 | 2,541,945 | 138,502 |
| Services sold | 336,260 | 330,424 | 323,652 | 205,023 | 181,221 |
| General aviation activity | 166,749 | 151,562 | 154,916 | 136,052 | 122,777 |
| Other | 195,199 | 402,429 | 166,372 | 111,252 | 146,076 |
| | 3,117,565 | 3,373,443 | 3,207,651 | 2,994,272 | 588,576 |
| **Total nonairline revenues** | 20,864,474 | 21,114,136 | 20,949,826 | 19,449,781 | 17,156,226 |
| **Total Operating Revenues** | $ 30,733,404 | $ 30,628,890 | $ 29,021,283 | $ 27,522,515 | $ 25,309,837 |
| Enplaned passengers | 1,038,307 | 1,085,323 | 1,147,886 | 1,102,739 | 1,124,703 |
| **Total Revenue per Enplaned Passenger** | $ 29.60 | $ 28.22 | $ 25.28 | $ 24.96 | $ 22.50 |
| **Airline Revenue per Enplaned Passenger [3]** | $ 9.03 | $ 8.34 | $ 6.63 | $ 6.82 | $ 6.81 |

*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.*

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Airline revenues** | | | | | |
| Landing fees | $ 5,262,802 | $ 6,428,738 | $ 4,153,090 | $ 3,793,257 | $ 3,632,455 |
| Terminal building rentals [(1)] | 2,521,696 | 2,450,705 | 2,293,206 | 2,180,730 | 1,998,031 |
| Facility use fees | 244,850 | 94,108 | 73,768 | - | - |
| **Total airline revenues** | 8,029,349 | 8,973,551 | 6,520,064 | 5,973,987 | 5,630,486 |
| Parking and roadway operations | | | | | |
| Parking fees | 7,427,281 | 7,809,261 | 7,870,850 | 6,671,448 | 6,420,431 |
| Ground transportation | 101,876 | 104,460 | 105,710 | 106,709 | 100,601 |
| | 7,529,156 | 7,913,720 | 7,976,560 | 6,778,156 | 6,521,031 |
| Concession revenues | | | | | |
| Rental car percentage fees | 3,150,924 | 3,438,454 | 3,452,778 | 3,434,417 | 3,243,728 |
| Terminal concession revenues | 1,162,632 | 1,232,965 | 1,121,617 | 988,222 | 966,511 |
| | 4,313,556 | 4,671,419 | 4,574,396 | 4,422,639 | 4,210,239 |
| Building rentals | | | | | |
| Terminal | 381,996 | 383,718 | 337,472 | 331,431 | 144,533 |
| Rental car | - | - | - | - | - |
| Other buildings | 1,498,303 | 1,459,545 | 1,225,594 | 1,195,227 | 1,038,755 |
| | 1,880,299 | 1,843,263 | 1,563,066 | 1,526,658 | 1,183,288 |
| Land Leases | 1,148,834 | 1,044,890 | 1,024,767 | 882,136 | 847,473 |
| Other Revenues | | | | | |
| Rental car CFC [(2)] | - | - | - | - | - |
| Services sold | 171,884 | 86,649 | 53,118 | 55,124 | 54,710 |
| General aviation activity | 113,037 | 154,053 | 137,802 | 136,720 | 41,317 |
| Other | 137,198 | 99,246 | 59,258 | 71,980 | 20,266 |
| | 422,119 | 339,949 | 250,178 | 263,824 | 116,293 |
| **Total nonairline revenues** | 15,293,964 | 15,813,242 | 15,388,967 | 13,873,413 | 12,878,324 |
| **Total Operating Revenues** | $ 23,323,313 | $ 24,786,792 | $ 21,909,030 | $ 19,847,399 | $ 18,508,810 |
| Enplaned passengers | 1,134,970 | 1,193,502 | 1,267,697 | 1,275,055 | 1,270,729 |
| **Total Revenue per Enplaned Passenger** | $ 20.55 | $ 20.77 | $ 17.28 | $ 15.57 | $ 14.57 |
| **Airline Revenue per Enplaned Passenger [(3)]** | $ 6.64 | $ 6.92 | $ 5.14 | $ 4.69 | $ 4.43 |

# Operating Expenses and Ratios
## Fiscal Years Ended December 31

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Operating Expenses by Type** | | | | | |
| Salaries, wages & employee benefits | $ 10,130,005 | $ 9,632,395 | $ 8,696,469 | $ 7,903,938 | $ 7,796,788 |
| Professional and contractual services | 4,265,210 | 4,493,246 | 4,289,498 | 4,054,917 | 3,835,643 |
| Buildings and grounds maintenance | 359,459 | 303,231 | 284,283 | 896,900 | 1,187,713 |
| Equipment repair and maintenance | 752,105 | 768,602 | 385,180 | 90,622 | - |
| Marketing & public affairs | 112,667 | 324,732 | 205,583 | 212,215 | 355,711 |
| Utilities | 1,974,685 | 1,784,159 | 1,685,278 | 1,728,233 | 1,549,086 |
| Materials and supplies | 860,154 | 940,861 | 833,903 | 326,428 | 147,257 |
| Insurance | 371,617 | 364,230 | 363,203 | 333,234 | 336,148 |
| Other | 1,275,608 | 1,233,239 | 970,854 | 747,950 | 749,539 |
| **Total Operating Expenses by Type** | $ 20,101,509 | $ 19,844,695 | $ 17,714,250 | $ 16,294,438 | $ 15,957,885 |
| | | | | | |
| **Operating Expenses by Cost Center** | | | | | |
| Administration | 4,880,682 | 5,118,962 | 4,231,225 | 3,692,664 | 3,923,446 |
| Airfield | 5,533,395 | 5,552,164 | 5,175,507 | 4,824,153 | 4,515,834 |
| Terminal | 7,126,578 | 6,968,891 | 6,379,287 | 5,749,615 | 5,085,186 |
| Parking | 1,415,008 | 1,498,203 | 1,479,152 | 1,467,003 | 2,034,865 |
| Shuttle | 292,283 | 229,145 | 212,817 | 200,272 | 189,423 |
| Rental Car | 99,842 | 7,499 | 4,170 | 591 | - |
| Commercial/industrial | 753,721 | 469,831 | 232,093 | 360,142 | 209,130 |
| **Total Operating Expenses by Cost Center** | $ 20,101,509 | $ 19,844,695 | $ 17,714,250 | $ 16,294,438 | $ 15,957,885 |
| | | | | | |
| Enplaned passengers | 1,038,307 | 1,085,323 | 1,147,886 | 1,102,739 | 1,124,703 |
| | | | | | |
| **Total Operating Expense per Enplaned Passenger** | $ 19.36 | $ 18.28 | $ 15.43 | $ 14.78 | $ 14.19 |

*Source: Airport audited financial statements*

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Operating Expenses by Type** | | | | | |
| Salaries, wages & employee benefits | $ 7,771,694 | $ 7,350,994 | $ 7,140,047 | $ 5,968,493 | $ 5,311,719 |
| Professional and contractual services | 3,523,660 | 6,125,539 | 5,859,205 | 6,323,508 | 5,514,507 |
| Buildings and grounds maintenance | 1,036,633 | 1,425,042 | 1,008,767 | 874,962 | 728,139 |
| Equipment repair and maintenance | - | - | - | - | - |
| Marketing & public affairs | 292,825 | - | - | - | - |
| Utilities | 1,696,671 | 1,738,131 | 1,450,193 | 1,376,059 | 1,237,385 |
| Materials and supplies | 156,181 | 164,593 | 113,810 | 99,913 | 92,267 |
| Insurance | 355,126 | - | - | - | - |
| Other | 522,495 | - | - | - | - |
| **Total Operating Expenses by Type** | $ 15,355,284 | $ 16,804,299 | $ 15,572,022 | $ 14,642,935 | $ 12,884,017 |
| | | | | | |
| **Operating Expenses by Cost Center** | | | | | |
| Administration | 3,689,509 | 3,453,384 | 4,010,553 | 3,389,915 | 2,596,180 |
| Airfield | 4,045,313 | 4,319,460 | 3,400,718 | 3,589,386 | 3,100,818 |
| Terminal | 5,304,982 | 6,375,003 | 6,275,971 | 5,587,368 | 5,091,160 |
| Parking | 1,940,608 | 2,214,880 | 1,409,814 | 1,634,575 | 1,672,196 |
| Shuttle | 190,837 | 206,467 | 226,664 | 223,420 | 177,874 |
| Rental Car | - | - | - | - | - |
| Commercial/industrial | 184,034 | 235,107 | 248,301 | 218,272 | 245,789 |
| **Total Operating Expenses by Cost Center** | $ 15,355,284 | $ 16,804,299 | $ 15,572,022 | $ 14,642,935 | $ 12,884,017 |
| | | | | | |
| Enplaned passengers | 1,134,970 | 1,193,502 | 1,267,697 | 1,275,055 | 1,270,729 |
| | | | | | |
| **Total Operating Expense per Enplaned Passenger** | $ 13.53 | $ 14.08 | $ 12.28 | $ 11.48 | $ 10.14 |

# Airport Rates, Charges and Fees
## Fiscal Years Ended December 31

### Airline Rates and Charges

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Landing fee rate (per 1,000 lbs) | $ 3.65 | $ 3.39 | $ 3.39 | $ 3.39 | $ 3.39 |
| Terminal building rental rate (per Sq. Ft.) | 31.25 | 30.34 | 24.74 | 24.74 | 24.74 |
| Gate Fee (per turn) | 79.15 | 75.00 | 75.00 | 75.00 | 75.00 |
| Jet Bridge Fee (per turn) | 68.50 | 25.00 | 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 | 50.00 | 50.00 | 50.00 | 50.00 |

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Landing fee rate (per 1,000 lbs) | $ 3.39 | $ 3.62 | $ 2.23 | $ 2.08 | $ 2.08 |
| Terminal building rental rate (per Sq. Ft.) | 24.74 | 23.38 | 22.84 | 23.12 | 25.37 |
| Gate Fee (per turn) | 70.00 | 59.00 | 59.00 | 59.00 | 59.00 |
| Jet Bridge Fee (per turn) | 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 | - | - | - | - |

*Source: Airport Management Records*

### Parking Fees (Daily Maximum)

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| 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 |

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Parking Deck | $ 10.00 | $ 10.00 | $ 10.00 | $ 10.00 | $ 10.00 |
| Short Term Lots (East and West) | 10.00 | 10.00 | 10.00 | 10.00 | 8.00 |
| Long Term Lot (South) | 8.00 | 8.00 | 8.00 | 8.00 | 6.00 |
| Peanut Lot (Economy) | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |

*Source: Airport Management Records*

# Principal Revenue Customers
## Fiscal Years Ended December 31

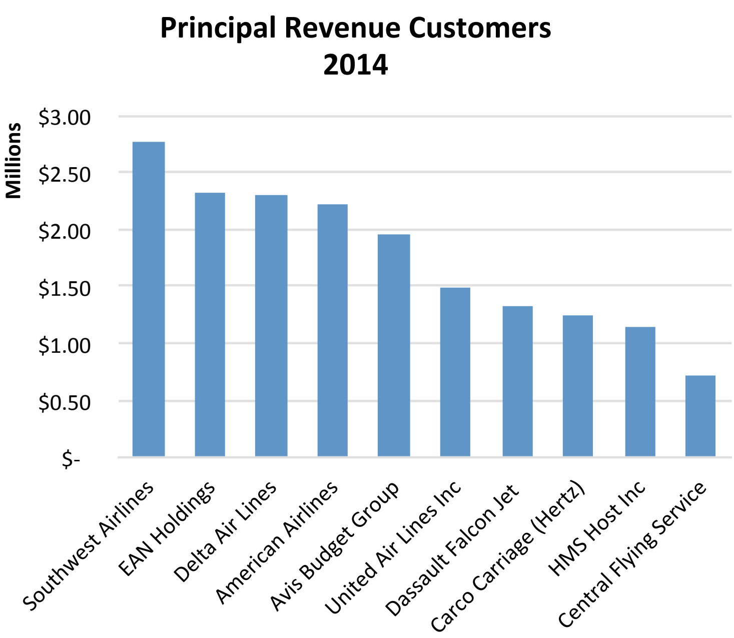
**Principal Revenue Customers – 2014**

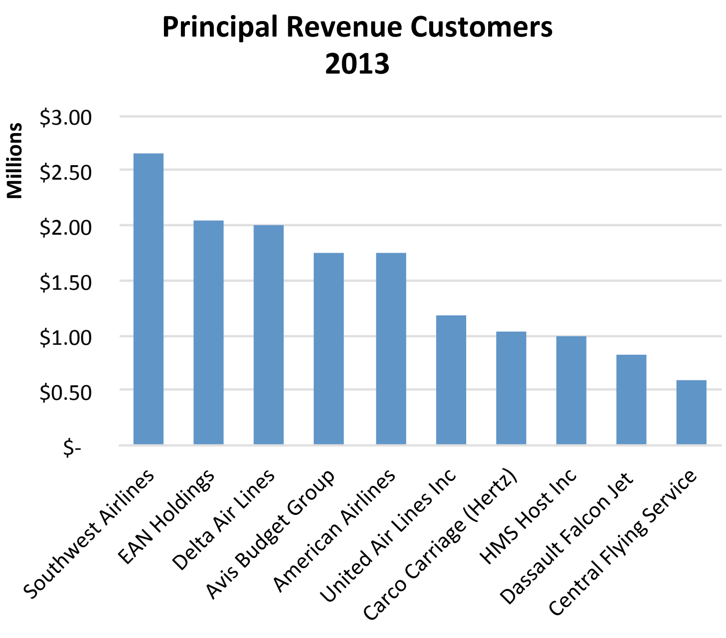
| Customer | Customer Revenue | % Total Customer Revenue |
|---|---|---|
| Southwest Airlines | $ 2,770,732.07 | 13.1% |
| EAN Holdings | 2,323,778.72 | 11.0% |
| Delta Air Lines | 2,295,569.94 | 10.9% |
| American Airlines | 2,220,477.26 | 10.5% |
| Avis Budget Group | 1,946,750.81 | 9.2% |
| United Air Lines Inc | 1,484,286.80 | 7.0% |
| Dassault Falcon Jet | 1,317,710.44 | 6.2% |
| Carco Carriage (Hertz) | 1,245,048.61 | 5.9% |
| HMS Host Inc | 1,142,464.28 | 5.4% |
| Central Flying Service | 724,909.87 | 3.4% |
| | $ 19,188,188.29 | 90.8% |

**Principal Revenue Customers – 2013**

| Customer | Customer Revenue | % Total Customer Revenue |
|---|---|---|
| Southwest Airlines | $ 2,652,277.59 | 14.4% |
| EAN Holdings | 2,053,107.40 | 11.2% |
| Delta Air Lines | 2,010,142.81 | 10.9% |
| Avis Budget Group | 1,750,480.39 | 9.5% |
| American Airlines | 1,743,461.28 | 9.5% |
| United Air Lines Inc | 1,180,416.16 | 6.4% |
| Carco Carriage (Hertz) | 1,036,287.33 | 5.6% |
| HMS Host Inc | 993,304.61 | 5.4% |
| Dassault Falcon Jet | 817,894.40 | 4.5% |
| Central Flying Service | 599,538.96 | 3.3% |
| | $ 16,878,485.95 | 91.9% |

*Information prior to 2013 is not available.*



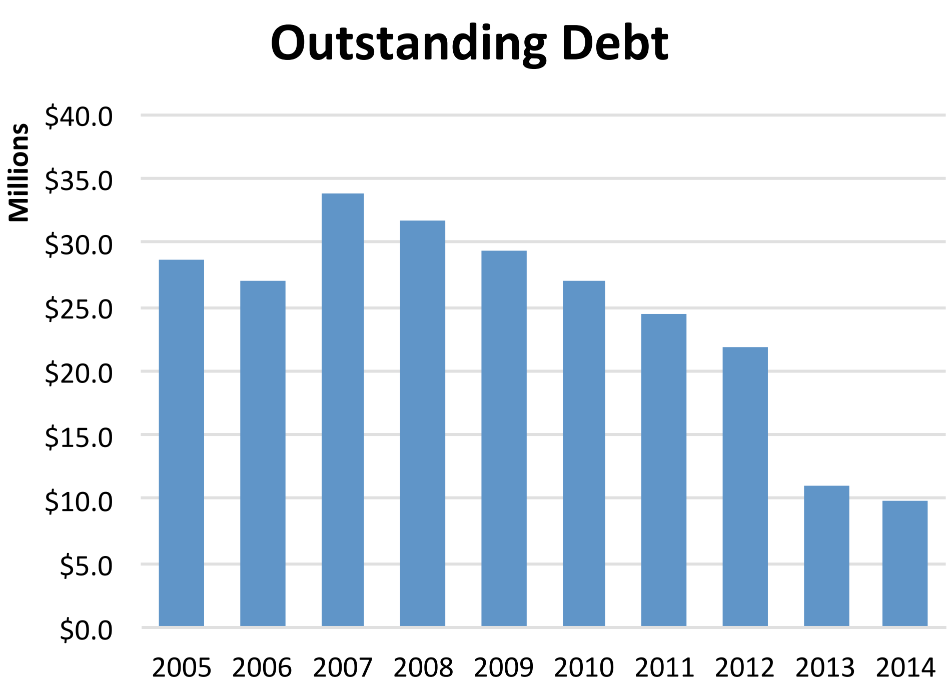



# Outstanding Debt by Type and Debt Ratios
## Fiscal Years Ended December 31
## (in thousands)

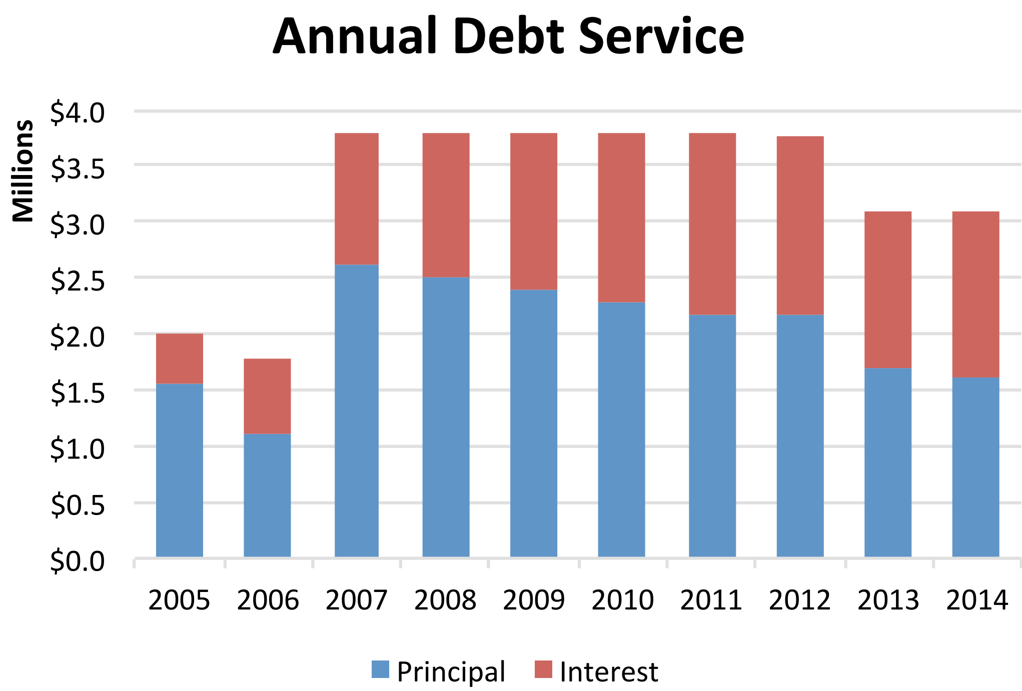
| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Outstanding Debt per Series** | | | | | |
| Series 1999A | $ - | $ - | $ 9,670 | $ 11,225 | $ 12,705 |
| Series 2003 | 385 | 1,105 | 1,795 | 2,450 | 3,095 |
| Series 2007A | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 |
| Series 2007B | 5,975 | 6,415 | 6,835 | 7,240 | 7,630 |
| Total outstanding debt | $ 9,960 | $ 11,120 | $ 21,900 | $ 24,515 | $ 27,030 |
| **Annual Debt Service** | | | | | |
| Principal | $ 1,565 | $ 1,110 | $ 2,615 | $ 2,515 | $ 2,395 |
| Interest | 452 | 673 | 1,179 | 1,290 | 1,406 |
| Total debt service | $ 2,017 | $ 1,783 | $ 3,794 | $ 3,805 | $ 3,801 |
| Total enplaned passengers | 1,038 | 1,085 | 1,148 | 1,103 | 1,125 |
| Outstanding Debt/Enplaned Passenger | $ 9.59 | $ 10.25 | $ 19.08 | $ 22.23 | $ 24.03 |
| Debt Service/Enplaned Passenger | $ 1.94 | $ 1.64 | $ 3.31 | $ 3.45 | $ 3.38 |
| Outstanding Debt/Personal Income (Metro) | $ 264.62 | $ 294.35 | $ 610.16 | $ 718.69 | $ 797.04 |
| Outstanding Debt/Per Capita (Metro) | $ 13.75 | $ 15.49 | $ 30.81 | $ 34.91 | $ 39.07 |

*Source: Airport Management Records*

*Note: Series 2009 Bonds were defeased upon call February 2013 removing $9.6 million from outstanding debt balance.*



| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Outstanding Debt per Series** | | | | | |
| Series 1999A | $ 14,115 | $ 15,460 | $ 16,745 | $ 21,675 | $ 22,845 |
| Series 2003 | 3,705 | 4,280 | 4,835 | 5,370 | 5,895 |
| Series 2007A | 3,600 | 3,600 | 3,600 | - | - |
| Series 2007B | 8,005 | 8,365 | 8,710 | - | - |
| Total outstanding debt | $ 29,425 | $ 31,705 | $ 33,890 | $ 27,045 | $ 28,740 |
| **Annual Debt Service** | | | | | |
| Principal | 2,280 | 2,185 | 2,165 | 1,695 | 1,625 |
| Interest | 1,515 | 1,610 | 1,609 | 1,405 | 1,474 |
| Total debt service | $ 3,795 | $ 3,795 | $ 3,774 | $ 3,100 | $ 3,099 |
| Total enplaned passengers | 1,135 | 1,194 | 1,268 | 1,275 | 1,271 |
| Outstanding Debt/Enplaned Passenger | $ 25.93 | $ 26.56 | $ 26.73 | $ 21.21 | $ 22.62 |
| Debt Service/Enplaned Passenger | $ 3.34 | $ 3.18 | $ 2.98 | $ 2.43 | $ 2.44 |
| Outstanding Debt/Personal Income (Metro) | $ 867.83 | $ 957.96 | $ 1,097.66 | $ 922.87 | $ 1,022.55 |
| Outstanding Debt/Per Capita (Metro) | $ 43.15 | $ 47.22 | $ 51.22 | $ 41.69 | $ 44.94 |



# Revenue Bonds Debt Service Coverage
## Fiscal Years Ended December 31

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Net revenues** | | | | | |
| Operating revenues | $ 30,733,404 | $ 30,628,890 | $ 29,021,283 | $ 27,522,515 | $ 25,309,837 |
| Less: operating expenses | (20,101,509) | (19,844,695) | (17,714,241) | (16,294,439) | (15,967,690) |
| Plus: interest income | 201,345 | 191,195 | 150,997 | 177,198 | 303,027 |
| **Net revenues** | $ 10,833,240 | $ 10,975,390 | $ 11,458,039 | $ 11,405,274 | $ 9,645,173 |
| **Annual Debt Service** | | | | | |
| Principal [1] | $ 1,565,000 | $ 1,110,000 | $ 2,615,000 | $ 2,515,000 | $ 2,395,000 |
| Interest | 452,118 | 673,174 | 1,179,060 | 1,290,040 | 1,406,040 |
| **Total annual debt service** | $ 2,017,118 | $ 1,783,174 | $ 3,794,060 | $ 3,805,040 | $ 3,801,040 |
| **Debt Service Coverage** | | | | | |
| Revenue bond debt service coverage | 5.37 | 6.15 | 3.02 | 3.00 | 2.54 |
| Debt service coverage requirement | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Net revenues** | | | | | |
| Operating revenues | $ 23,323,313 | $ 24,786,792 | $ 21,909,030 | $ 19,847,399 | $ 18,508,810 |
| Less: operating expenses | (15,363,485) | (16,804,299) | (15,572,022) | (14,642,935) | (12,884,017) |
| Plus: interest income | 398,848 | 643,961 | 1,407,997 | 1,308,292 | 915,940 |
| **Net revenues** | $ 8,358,676 | $ 8,626,454 | $ 7,745,005 | $ 6,512,756 | $ 6,540,733 |
| **Annual Debt Service** | | | | | |
| Principal [1] | $ 2,280,000 | $ 2,185,000 | $ 2,165,000 | $ 1,695,000 | $ 1,625,000 |
| Interest | 1,514,759 | 1,609,664 | 1,608,896 | 1,404,936 | 1,474,131 |
| **Total annual debt service** | $ 3,794,759 | $ 3,794,664 | $ 3,773,896 | $ 3,099,936 | $ 3,099,131 |
| **Debt Service Coverage** | | | | | |
| Revenue bond debt service coverage | 2.20 | 2.27 | 2.05 | 2.10 | 2.11 |
| Debt service coverage requirement | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |

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

# Passenger Airline Daily Flights
## Fiscal Years Ended December 31

| | | | Daily Flights (at December 31) | | | | | |
|---|---|---|---|---|---|---|---|---|
| Airline | Gate | Destination | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Allegiant Air | Gates 6 or 12 | Orlando, FL (SFB) | 0.3 | 0.3 | - | - | - | - |
| American Airlines | Gates 1 & 3 | Dallas, TX (DFW) | 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 |
| | Gate 12 | New York (LGA) | 1.0 | - | - | - | - | - |
| United Airlines | Gate 5,6 & 7 | Denver, CO (DEN) | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| | | Chicago, IL (ORD) | 3.0 | 2.0 | - | - | - | - |
| | | Houston, TX (IAH) | 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 |
| | | 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 |
| Frontier Airlines | Gate 9 | Denver, CO (DEN) | - | 0.4 | 0.4 | - | - | - |
| Southwest Airlines | Gates 10, 11, & 12 | Dallas, TX (DAL) | 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 |
| | | Phoenix, AZ (PHX) | 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 |
| | | Las Vegas, NV (LAS) | 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 | 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 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| Air Carrier | 20,146 | 19,183 | 20,942 | 19,382 | 19,867 | 23,519 | 24,680 | 27,913 | 23,865 | 25,804 |
| Air Taxi | 16,905 | 21,606 | 25,030 | 28,273 | 31,451 | 28,054 | 26,136 | 28,842 | 33,309 | 38,991 |
| General Aviation | 43,913 | 43,304 | 46,027 | 44,785 | 44,853 | 45,179 | 54,622 | 60,860 | 63,232 | 70,213 |
| Military | 9,470 | 12,571 | 17,662 | 19,330 | 18,822 | 35,664 | 21,622 | 23,229 | 18,702 | 32,872 |
| Total Operations | 90,434 | 96,664 | 109,661 | 111,770 | 114,993 | 132,416 | 127,060 | 140,844 | 139,108 | 167,880 |

*Source: FAA Air Traffic Reports*

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| ***Passenger Airlines*** | | | | | |
| American | 310,988 | 278,309 | 268,929 | 265,125 | 283,636 |
| Continental | - | - | 38,550 | 101,133 | 89,529 |
| Delta | 289,556 | 302,377 | 291,676 | 296,782 | 284,581 |
| Frontier | 23,047 | 29,461 | 46,436 | 1,164 | - |
| Northwest | - | - | - | - | 5,175 |
| Southwest | 410,011 | 469,900 | 522,458 | 540,992 | 562,936 |
| United | 160,126 | 168,493 | 151,541 | 99,949 | 108,535 |
| US Airways | 82,903 | 95,171 | 104,672 | 76,258 | 72,011 |
| Vision | 242 | 600 | 242 | 8,228 | - |
| Charter | 1,160 | 774 | - | - | - |
| | 1,278,033 | 1,345,085 | 1,424,503 | 1,389,629 | 1,406,403 |
| ***Cargo Airlines*** | | | | | |
| Airborne Express | - | - | - | - | - |
| Federal Express | - | - | - | - | - |
| UPS | 134,957 | 135,167 | 134,333 | 134,846 | 132,302 |
| | 134,957 | 135,167 | 134,333 | 134,846 | 132,302 |
| **Total Landed Weights** | 1,412,990 | 1,480,252 | 1,558,836 | 1,524,475 | 1,538,705 |

*Source: Monthly Airline Activity Reports*

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| ***Passenger Airlines*** | | | | | |
| American | 315,937 | 281,066 | 327,354 | 318,687 | 323,079 |
| Continental | 74,355 | 86,779 | 91,838 | 110,717 | 106,554 |
| Delta | 276,642 | 214,076 | 241,480 | 279,832 | 278,061 |
| Frontier | - | 21,910 | 66,855 | 50,404 | 53,373 |
| Northwest | 114,567 | 145,613 | 159,557 | 148,894 | 209,548 |
| Southwest | 551,010 | 572,290 | 570,384 | 573,154 | 565,049 |
| United | - | 34,550 | - | - | - |
| US Airways | 69,765 | 74,388 | 75,158 | 64,303 | 60,289 |
| Vision | - | - | - | - | - |
| Charter | 548 | 124 | 780 | 3,522 | 1,089 |
| | 1,402,824 | 1,430,796 | 1,533,406 | 1,549,513 | 1,597,042 |
| ***Cargo Airlines*** | | | | | |
| Airborne Express | - | 15,389 | 23,495 | 26,488 | 46,668 |
| Federal Express | 1,511 | 2,839 | 811 | 494 | 2,720 |
| UPS | 137,393 | 138,762 | 154,665 | 139,065 | 119,185 |
| | 138,904 | 156,989 | 178,972 | 166,048 | 168,573 |
| **Total Landed Weights** | 1,541,728 | 1,587,785 | 1,712,378 | 1,715,561 | 1,765,614 |

# Enplaned Passenger Data
## Fiscal Years Ended December 31

| AIRLINES/CODESHARE | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Allegiant Air | 12,719 | 7,965 | 229 | - | - |
| American Airlines | 114,238 | 112,751 | 118,973 | 78,550 | - |
| American Eagle | 128,729 | 120,474 | 111,450 | 137,449 | 230,299 |
| Mesa | 1,890 | - | - | - | - |
| Republic | 1,418 | - | - | - | - |
| Trans States – American | - | - | - | - | - |
| Continental Airlines | - | - | - | 160 | - |
| Continental Express | - | - | 7,063 | 59,398 | 95,757 |
| Colgan Air | - | - | 26,599 | 37,685 | - |
| Delta Airline | 221,887 | 195,023 | 113,712 | 98,353 | 79,541 |
| Atlantic Southeast | - | 20,612 | 72,000 | 121,290 | 124,738 |
| Chautauqua | - | 50 | 39 | 1,040 | 1,817 |
| ComAir | - | - | 2,128 | 3,723 | 7,461 |
| Compass | 260 | - | - | 76 | 4,448 |
| GOJet | - | - | 367 | - | - |
| Express Jet – Delta | 17,544 | 25,823 | 36,227 | - | - |
| Freedom | - | - | - | - | 10,113 |
| Endeavor/Pinnacle | 2,130 | 836 | 24,741 | 23,874 | 28,245 |
| Shuttle America | 35 | 130 | - | 6 | 157 |
| Skywest – Delta | - | 8 | - | 4,981 | - |
| Frontier | 20,363 | 26,139 | 39,339 | 951 | - |
| Northwest Airline | - | - | - | - | 3,759 |
| Compass | - | - | - | - | - |
| Mesaba | - | - | - | - | - |
| Pinnacle | - | - | - | - | - |
| Southwest Airline | 293,489 | 335,854 | 369,290 | 374,747 | 391,882 |
| United Airlines | - | - | - | - | - |
| Express Jet – United | 119,030 | 134,380 | 135,772 | 76,040 | 10,694 |
| Skywest – United | 33,666 | 28,191 | 10,371 | 9,111 | 70,897 |
| US Airways | - | 76,490 | - | 129 | - |
| Mesa | 41,787 | - | 27,254 | 39,168 | 30,789 |
| Air Midwest/USAir Exp. | - | - | - | 34 | - |
| Air Wisconsin | 1,019 | - | 7 | - | - |
| Pacific Southwest (PSA) | 23,841 | - | 31,180 | 26,098 | 33,934 |
| Republic | 3,531 | - | 21,144 | - | - |
| Vision Airline | - | - | - | 9,635 | - |
| Charters | 731 | 597 | - | 241 | 172 |
| **Total Enplanements** | 1,038,307 | 1,085,323 | 1,147,885 | 1,102,739 | 1,124,703 |

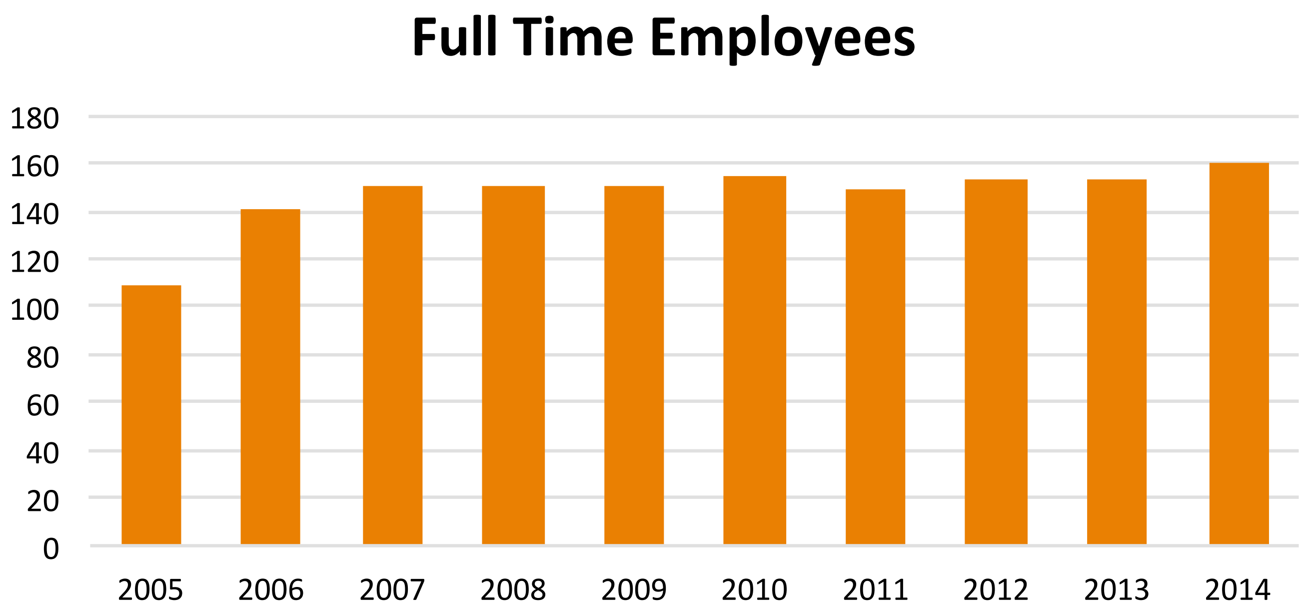
*Source: Monthly Airline Activity Reports*

| AIRLINES/CODESHARE | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Allegiant Air | - | - | - | - | - |
| American Airlines | - | - | - | - | - |
| American Eagle | 270,910 | 254,794 | 287,299 | 283,788 | 277,396 |
| Mesa | - | - | - | - | - |
| Republic | - | - | - | - | - |
| Trans States – American | - | - | 24,479 | 25,608 | - |
| Continental Airlines | - | - | - | - | - |
| Continental Express | 98,377 | 113,290 | 110,038 | 112,673 | - |
| Colgan Air | - | - | - | - | 101,037 |
| Delta Airline | 1,392 | 58,809 | 69,592 | 111,424 | 116,669 |
| Atlantic Southeast | 135,530 | 92,200 | 65,449 | 42,671 | 90,753 |
| Chautauqua | 21,965 | 31,322 | 48,146 | 23,507 | 14,359 |
| ComAir | 1,812 | 1,601 | 5,216 | 22,443 | 37,762 |
| Compass | 6,957 | - | - | - | - |
| GOJet | - | - | - | - | - |
| Express Jet – Delta | - | - | - | - | - |
| Freedom | 6,650 | 8,281 | 8,059 | 24,500 | - |
| Endeavor/Pinnacle | 37,549 | - | - | - | - |
| Shuttle America | 709 | 2,858 | 1,659 | - | - |
| Skywest – Delta | 9,726 | 837 | 17,714 | - | - |
| Frontier | - | 17,956 | 48,145 | 39,299 | 35,902 |
| Northwest Airline | 65,218 | 94,173 | 96,234 | 97,568 | 86,287 |
| Compass | - | 7,626 | - | - | - |
| Mesaba | - | - | 71 | 391 | 696 |
| Pinnacle | - | 26,852 | 25,080 | 28,425 | 61,521 |
| Southwest Airline | 363,697 | 384,920 | 392,383 | 409,787 | 396,015 |
| United Airlines | - | 8,678 | 11,832 | - | - |
| Express Jet – United | - | 28,420 | - | - | - |
| Skywest – United | 60,018 | - | - | - | - |
| US Airways | - | - | - | - | - |
| Mesa | 59 | 1,980 | 445 | 5,355 | 42,530 |
| Air Midwest/USAir Exp. | - | 1,596 | 4,134 | 4,386 | 4,138 |
| Air Wisconsin | - | - | - | 2,296 | - |
| Pacific Southwest (PSA) | 54,083 | 57,309 | 51,372 | 38,766 | 4,443 |
| Republic | - | - | - | - | - |
| Vision Airline | - | - | - | - | - |
| Charters | 318 | - | 350 | 2,168 | 1,221 |
| **Total Enplanements** | 1,134,970 | 1,193,502 | 1,267,697 | 1,275,055 | 1,270,729 |

# Employee Trend
## Fiscal Years Ended December 31

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

*Source: Kronos Payroll System*
*Information prior to 2010 is not available by department.*



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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Land | $ 63,988 | $ 61,795 | $ 63,363 | $ 37,480 | $ 37,480 |
| Construction work in progress | 9,290 | 15,137 | 85,833 | 64,821 | 60,116 |
| Capital assets not depreciated | 73,278 | 76,932 | 149,196 | 102,301 | 97,596 |
| Buildings and improvements | 359,419 | 343,829 | 271,360 | 305,072 | 301,989 |
| Equipment | 19,850 | 19,337 | 12,792 | 11,630 | 9,052 |
| Infrastructure | 33,330 | 32,980 | 3,687 | 35,821 | 27,268 |
| Capital assets depreciated | 412,599 | 396,146 | 287,839 | 352,523 | 338,309 |
| Less: accumulated depreciation | (160,818) | (147,202) | (135,542) | (151,199) | (140,562) |
| Net Capital Assets | $ 325,059 | $ 325,876 | $ 301,493 | $ 303,625 | $ 295,343 |

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Land | $ 37,480 | $ 37,480 | $ 37,480 | $ 37,475 | $ 37,467 |
| Construction work in progress | 65,814 | 20,630 | 11,107 | 13,839 | 13,105 |
| Capital assets not depreciated | 103,294 | 58,111 | 48,588 | 51,314 | 50,572 |
| Buildings and improvements | 279,044 | 277,010 | 276,883 | 269,483 | 261,844 |
| Equipment | 8,267 | 8,479 | 7,700 | 6,555 | 5,382 |
| Infrastructure | 18,577 | 21,579 | 17,781 | 7,302 | 267 |
| Capital assets depreciated | 305,888 | 307,069 | 302,364 | 283,339 | 267,493 |
| Less: accumulated depreciation | (130,556) | (120,829) | (112,260) | (104,528) | (130,556) |
| Net Capital Assets | $ 278,626 | $ 244,351 | $ 238,691 | $ 230,125 | $ 187,510 |

*Source: Airport audited financial statements*

| | 2014 |
|---|---|
| Number of commercial runways | 2 |
| Number of commmercial gates | 12 |
| Covered parking spaces (public) | 851 |
| Airport land area (approximately) | 2,000 acres |

*Source: Airport audited financial statements*

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

| Year | U.S. | State | Metro |
|---|---|---|---|
| 2014 | 318,857,056 | 2,959,373 | 724,385 |
| 2013 | 316,497,531 | 2,949,828 | 717,844 |
| 2012 | 314,112,078 | 2,938,506 | 710,870 |
| 2011 | 311,721,632 | 2,922,280 | 702,230 |
| 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 |
| 2005 | 295,516,599 | 2,749,686 | 639,558 |

*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 |
|---|---|---|---|---|---|---|---|
| 2014 | 391,284 | 119,580 | 10,345 | 70,753 | 18,019 | 114,404 | 724,385 |
| 2013 | 388,953 | 118,692 | 10,310 | 70,025 | 18,013 | 111,851 | 717,844 |
| 2012 | 386,765 | 116,426 | 10,366 | 69,376 | 17,943 | 109,994 | 710,870 |
| 2011 | 383,475 | 114,127 | 10,440 | 68,696 | 17,883 | 107,609 | 702,230 |
| 2010 | 380,053 | 110,813 | 10,443 | 67,481 | 17,751 | 105,362 | 691,903 |
| 2009 | 376,567 | 108,477 | 10,441 | 66,086 | 17,718 | 102,599 | 681,888 |
| 2008 | 373,403 | 105,637 | 10,496 | 64,379 | 17,483 | 100,043 | 671,441 |
| 2007 | 371,647 | 102,969 | 10,352 | 62,648 | 17,442 | 96,661 | 661,719 |
| 2006 | 368,274 | 99,192 | 10,356 | 60,225 | 17,244 | 93,493 | 648,784 |
| 2005 | 366,608 | 96,162 | 10,352 | 58,449 | 17,026 | 90,961 | 639,558 |

*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 |
|---|---|---|---|
| 2014 | 28,829 | 39,249 | 37,640 |
| 2013 | 28,692 | 39,100 | 37,778 |
| 2012 | 28,538 | 36,599 | 35,892 |
| 2011 | 28,374 | 34,354 | 34,111 |
| 2010 | 28,812 | 34,126 | 33,913 |
| 2009 | 29,173 | 34,973 | 33,906 |
| 2008 | 30,114 | 34,068 | 33,097 |
| 2007 | 30,446 | 32,356 | 30,875 |
| 2006 | 29,874 | 30,606 | 29,305 |
| 2005 | 29,421 | 29,226 | 28,106 |

*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 |
|---|---|---|---|---|---|---|---|
| 2014 | 47,854 | 41,159 | 35,107 | 34,260 | 33,889 | 33,568 | 37,640 |
| 2013 | 48,081 | 41,601 | 35,150 | 34,380 | 33,951 | 33,503 | 37,778 |
| 2012 | 44,436 | 39,851 | 33,281 | 33,154 | 32,912 | 31,718 | 35,892 |
| 2011 | 41,764 | 37,211 | 31,372 | 31,617 | 31,167 | 31,532 | 34,111 |
| 2010 | 42,147 | 36,738 | 31,328 | 31,080 | 30,709 | 31,476 | 33,913 |
| 2009 | 44,036 | 36,157 | 31,286 | 30,849 | 29,902 | 31,208 | 33,906 |
| 2008 | 43,121 | 34,460 | 30,179 | 30,307 | 28,742 | 31,770 | 33,097 |
| 2007 | 40,500 | 31,701 | 28,566 | 28,580 | 26,852 | 29,049 | 30,875 |
| 2006 | 38,089 | 29,879 | 27,403 | 26,966 | 25,587 | 27,908 | 29,305 |
| 2005 | 35,955 | 28,356 | 26,952 | 25,668 | 24,886 | 26,821 | 28,106 |

*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 |
|---|---|---|---|
| 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% |
| 2005 | 5.5% | 5.6% | 5.0% |

*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 | Total |
|---|---|---|---|---|---|---|---|
| 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% |
| 2005 | 5.1% | 4.6% | 4.6% | 4.9% | 5.6% | 5.4% | 5.0% |

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

# Little Rock
# Principal Employers (Non-Government)

| | 2014 | | | 2005 | | |
|---|---|---|---|---|---|---|
| **Employer** | **Employees** | **Percentage of Total** | **Rank** | **Employees** | **Percentage of Total** | **Rank** |
| State of Arkansas | 32,200 | 10.07% | 1 | 28,100 | 8.85% | 1 |
| Local Government | 28,800 | 9.01% | 2 | - | - | |
| Federal Government | 9,200 | 2.88% | 3 | 9,400 | 2.96% | 2 |
| University of Arkansas Medical Sciences | 8,500 | 2.66% | 4 | 8,500 | 2.68% | 3 |
| Baptist Health | 7,000 | 2.19% | 5 | 7,571 | 2.38% | 5 |
| Little Rock Air Force Base | 4,500 | 1.41% | 6 | 4,500 | 1.42% | 6 |
| Axciom | 4,388 | 1.37% | 7 | 4,388 | 1.38% | 7 |
| Little Rock School District | 3,511 | 1.10% | 8 | - | - | |
| Central Arkansas Veterans Health Care | 3,500 | 1.09% | 9 | 2,785 | 0.88% | 10 |
| Entergy Arkansas | 2,738 | 0.86% | 10 | 2,881 | 0.91% | 9 |
| Public School District | - | - | | 7,868 | 2.48% | 4 |
| St. Vincent Medical Center | - | - | | 3,400 | 1.07% | 8 |
| **Total** | 104,337 | 33% | | 79,393 | 25% | |

*Source: Little Rock Chamber of Commerce*

# Little Rock
## Demographic and Economic Statistics

| Calendar Year | Population[a] | Personal Income[b] | Per Capita Personal Income | Unemployment Percentage Rate |
|---|---|---|---|---|
| 2005 | 183,133 | $ 5,889,923,546 | $ 32,162 | 4.5% |
| 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% |

[a] *Population of Little Rock, AR using 2000 Census and 2010 Census*

[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

Clinton National Airport has an unwavering commitment to providing a safe and secure environment for our air carriers and passengers.  For the fourth consecutive year, Clinton National has received zero discrepancies in an annual certification inspection conducted by the Federal Aviation Administration.  These rigorous reviews, which consist of comprehensive examinations of airfield and emergency response procedures, have positioned Clinton National  among only a few airports in the country to have achieved such a level of excellence.

# Compliance Section Contents



| Cluster/Program | Federal Agency/ Pass-Through Entity | CFDA Number | Grand or Identifying Number | Amount |
|---|---|---|---|---|
| Airpot Improvement Program | U.S. Department of | 20.106 | 03-05-0035-74 | $ 74,031 |
| | Transportation – Federal | 20.106 | 03-05-0035-76 | 358 |
| | Aviation Administration | 20.106 | 03-05-0035-78 | 98,663 |
| | | 20.106 | 03-05-0035-80 | 2,417,705 |
| | | 20.106 | 03-05-0035-81 | 832,764 |
| | | 20.106 | 03-05-0035-82 | 1,969,089 |
| | | | | 5,392,610 |
| National Explosives Detection Canine Team Program | U.S. Department of Homeland Security – Transportation Security Administration | 97.072 | HSTS02-10H-CAN631 | 203,676 |
| Law Enforcement Officer Reimbursement Agreement Program | U.S. Department of Homeland Security – Transportation Security Administration | 97.09 | HSTS02-13-H-SLR411 | 113,150 |
| American Recovery and Reinvestment Act – Airport Checked Baggage Inspection System Program | U.S. Department of Homeland Security – Transportation Security Administration | 97.117 | HSTS04-10-H-REC125 | 1,184,308 |
| | | | | $ 6,893,744 |

**Notes to Schedule:**

1. This schedule includes the federal awards activity of the Bill and Hillary Clinton National Airport and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Of the federal expenditures presented in this schedule, the Bill and Hillary Clinton National Airport provided no federal awards to subrecipients.

BKD LLP
CPAs & Advisors

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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 (the Airport), a component unit of the City of Little Rock, Arkansas, which comprise the balance sheet as of December 31, 2014, 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 April 28, 2015.

***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 Airport'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 as defined above. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

BKD, LLP

Little Rock, Arkansas
April 28, 2015

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 (the Airport) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

***Opinion on Each 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, 2014.

**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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Little Rock, Arkansas
April 28, 2015

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***Summary of Auditor's Results***

1. The opinion expressed in the independent auditor's report 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

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ 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 as those terms are defined in OMB Circular A-133 was $300,000.

9. The Airport qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

**Findings Required to be Reported by *Government Auditing Standards***

| Reference Number | Finding |
|---|---|

No matters are reportable.

**Findings Required to be Reported by OMB Circular A-133**

| Reference Number | Finding | Questioned Costs |
|---|---|---|

No matters are reportable.

| Reference Number | Summary of Finding | Status |
|---|---|---|

No matters are reportable.

# SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

| Collections | Date Approved | Amount Approved For Use | Cumulative Total – December 31, 2014 | Quarter Ended March 31, 2014 | Quarter Ended June 30, 2014 | Quarter Ended September 30, 2014 | Quarter Ended December 31, 2014 | Year Ended December 31, 2014 | Cumulative Total – December 31, 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Passenger facility charge collections received | | | $ 80,130,404 | $ 871,531 | $ 1,107,939 | $ 1,048,730 | $ 1,069,425 | $ 4,097,625 | $ 84,228,029 |
| Interest earned | | | 6,632,187 | 26,051 | 26,411 | 27,103 | 27,633 | 107,198 | 6,739,385 |
| Total passenger facility charge collections | | | $ 86,762,591 | $ 897,582 | $ 1,134,350 | $ 1,075,833 | $ 1,097,058 | $ 4,204,823 | $ 90,967,414 |
| **Expenditures** | | | | | | | | | |
| Applications closed prior to 2014 | Various | $ 37,094,053 | $ 37,094,053 | $ - | $ - | $ - | $ - | $ - | $ 37,094,053 |
| Application 06-05 | 1/31/2006 | 6,284,571 | 619,234 | - | 87,829 | - | - | 87,829 | 707,063 |
| Application 07-06 | 2/25/2014 | 38,428,622 | 32,489,720 | - | 94,247 | 85,694 | 31,030 | 210,971 | 32,700,691 |
| Application 10-07 | 1/5/2010 | 9,595,910 | 95,000 | 791,742 | 930,001 | 720,000 | 480,000 | 2,921,743 | 3,016,743 |
| Total passenger facility charge revenue expended | | $ 91,403,156 | $ 70,298,007 | $ 791,742 | $ 1,112,077 | $ 805,694 | $ 511,030 | $ 3,220,543 | $ 73,518,550 |

**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 passenger facility charge collections and expenditures includes eligible expenditures that have been applied against PFCs collected as of December 31, 2014.

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**Report on Compliance for the Passenger Facility Charge Program;
Report on Internal Control Over Compliance; and Report
on Schedule of Passenger Facility Charge Collections and Expenditures**

**Independent Auditor's Report**

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

**Report on Compliance**

We have audited the compliance of Bill and Hillary Clinton National Airport (the Airport) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (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, 2014.

***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.

***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, 2014.

**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

Little Rock, Arkansas
April 28, 2015

***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 un-liquidated 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 |

***Findings Required to be Reported by the Guide***

| Reference Number | Finding | Questioned Costs |
| --- | --- | --- |

No matters are reportable.

| Reference Number | Summary of Finding | Status |
|---|---|---|

No matters are reportable.

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