

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

LITTLE ROCK MUNICIPAL AIRPORT COMMISSION

A COMPONENT UNIT OF THE CITY OF LITTLE ROCK, ARKANSAS



BILL AND HILLARY
CLINTON
NATIONAL AIRPORT





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**FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2016 AND 2015**

Prepared by:

Bill and Hillary Clinton National Airport Finance Department

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INTRODUCTORY SECTION



BILL AND HILLARY
CLINTON
NATIONAL AIRPORT

INTRODUCTORY SECTION CONTENTS:

State Airport Locations and LIT Service Area

Little Rock Municipal Airport Commission

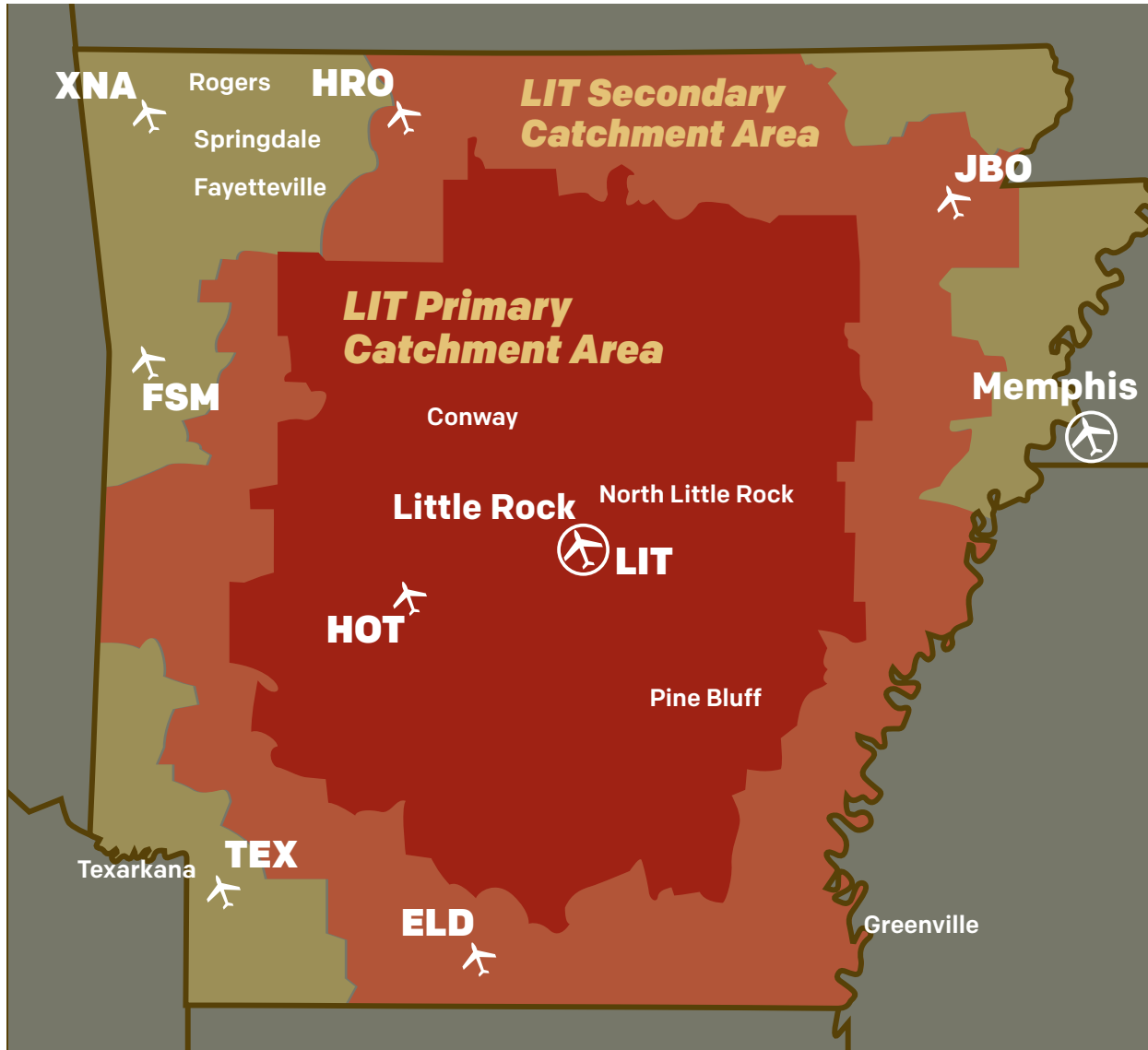
Organizational Structure

Airport Executive Leadership

Letter of Transmittal to the Airport Commission

Certificate of Achievement for Excellence in Financial Reporting

STATE AIRPORT LOCATIONS AND LIT SERVICE AREA



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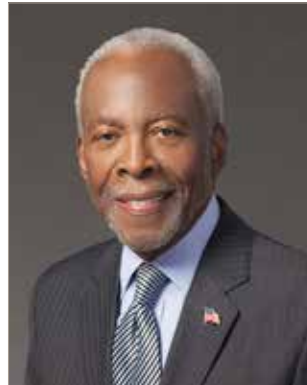
LITTLE ROCK MUNICIPAL AIRPORT COMMISSION



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Chairman



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Vice Chair/Treasurer



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Secretary



GUS VRATSINAS
Commissioner



JOHN RUTLEDGE
Commissioner

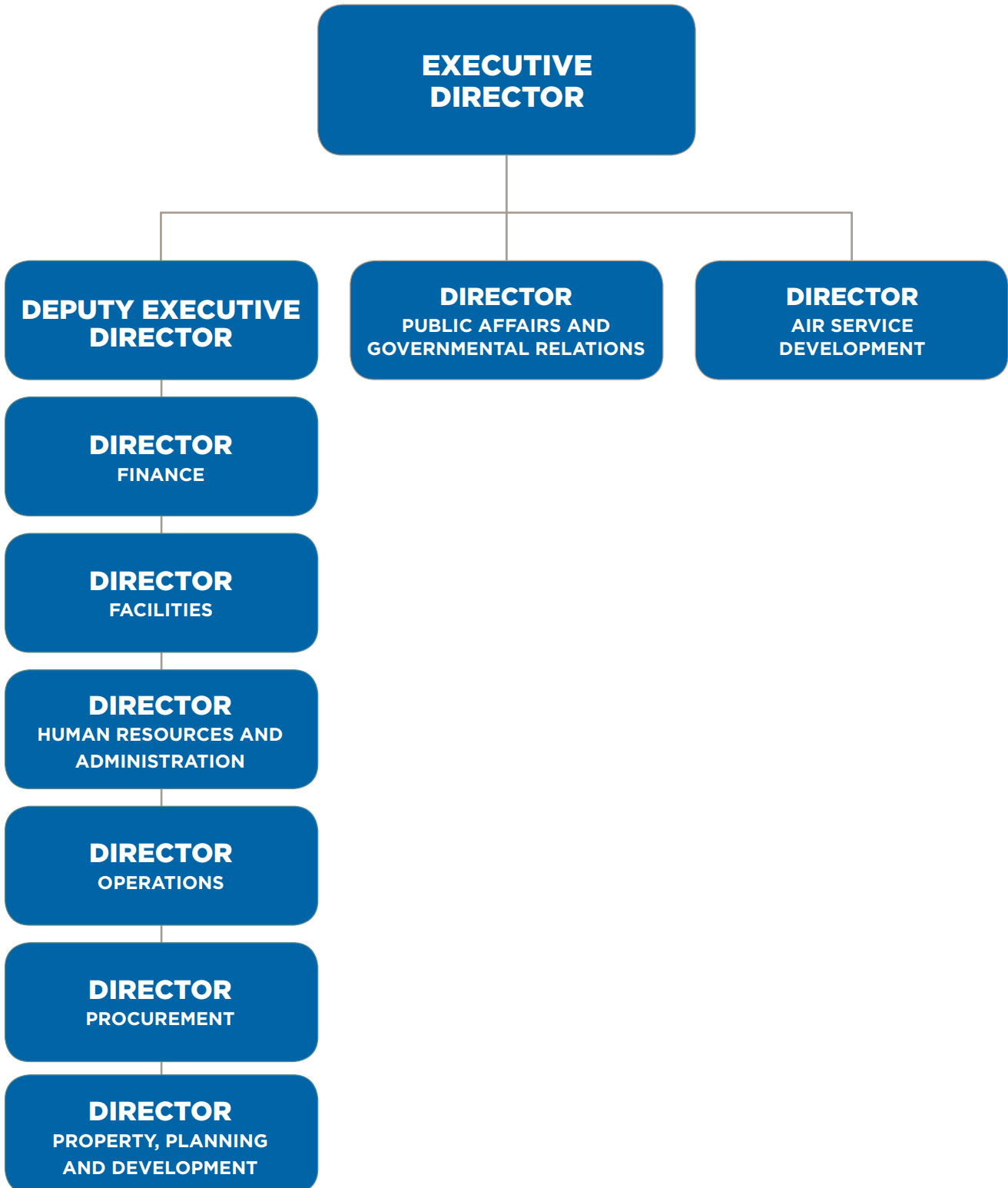


MEREDITH CATLETT
Commissioner



JILL FLOYD
Commissioner

ORGANIZATIONAL STRUCTURE



AIRPORT EXECUTIVE LEADERSHIP



RONALD F. MATHIEU, CM
Executive Director



BRYAN MALINOWSKI, CM
Deputy Executive Director



SHANE CARTER
Director - Public Affairs and
Governmental Relations



TOM CLARKE, PE, CM
Director - Properties, Planning
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RANDY ELLISON, CM
Director - Facilities



CHARLES JONES, CM
Director - Operations



ELWIN JONES
Director - Procurement



**DAVID TIPTON,
CPA, CFA, CM**
Director - Finance / CFO



MARK WILLIAMS
Director - Human Resources and
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TJ WILLIAMS
Director - Air Service
Development

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Ronald F. Mathieu, C.M.
Executive Director

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

May 22, 2017

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, 2016 and 2015. The CAFR, which was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), contains financial statements and statistical data that fully disclose all material financial operations of the Airport. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Airport management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the Airport. All disclosures necessary to enable the reader to gain an understanding of the Airport's financial activities have been included.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The Airport's MD&A can be found on Pages 29 through 44 of this report.

PROFILE OF THE GOVERNMENT

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

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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 FAA classifies the Airport as a small air traffic hub. During fiscal year 2016, the Airport accommodated approximately two million commercial passengers.

Commercial service airlines currently operate from 12 gates and a recently expanded ticket lobby. The Airport offers a variety of automobile parking options at various price points. Covered parking is available for hourly or daily customers in a three-story parking garage containing 851 parking spaces, which is conveniently attached via an enclosed, air conditioned pedestrian bridge to the terminal. Surface parking is available for hourly customers using the terminal. Economy parking is also available with complimentary shuttle bus service to the terminal. Rental cars are available from each of the major national rental car companies operating in the consolidated rental car area located on the first floor of the parking garage. General aviation customers are provided aircraft tie-down, hangar storage, fueling and associated services by TAC Air and Fly Arkansas, both full-service, fixed-base operators located on the west side of the airfield.

LOCAL ECONOMY

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 86, the population for the Metro was 731,612 in 2016, according to the U.S. Department of Commerce, Bureau of Economic Analysis, and was concentrated primarily in Pulaski and Faulkner Counties. This represents a .34% increase compared to 729,135 in 2015.

The Little Rock Metro per capita personal income at January 1, 2016 (\$41,062) was higher than the state average (\$38,252) but lower than the national average (\$48,112). Compared to the 2015 per capita personal income (\$40,925), 2016 was .33% higher. As presented in the tables on Page 87 of this report, the pattern of per capita income growth in the Metro has generally mirrored the pattern of growth within the state, albeit at a slightly lower level, over the past decade.

UNEMPLOYMENT RATE

During 2016, the State of Arkansas and the Little Rock Metro continued to show substantial reductions in the unemployment rate. For the Metro, the unemployment rate at January 1, 2016, was 4.7 percent compared to the 5.5 percent rate from the prior year. The Metro unemployment rate is lower than the state rate (5.1%) and the national rate (5.3%). At the end of fiscal year 2016, non-farm job increases were present in nearly all sectors of the economy and particularly prominent in goods-producing sectors: Manufacturing and Construction. The Arkansas Realtors Association reports that the median sale price of existing homes in Pulaski County was \$189,028 for 2016, which represents a 2.08 percent increase from the previous year.

MAJOR EMPLOYERS

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

Company	Number of Employees
Baptist Health	6,590
Arkansas Children’s Hospital	4,000
Central Arkansas Veterans Healthcare System	2,800
Entergy Arkansas	2,740
AT&T	2,600
CHI St. Vincent	2,600
Arkansas Blue Cross Blue Shield	2,590
Verizon Wireless	2,500
Dillard’s Inc.	2,400
Union Pacific Railroad	2,000

TOURISM AND LOCAL ACTIVITIES

Visitors are attracted to the Metro by the State Capitol, the Clinton Presidential Center, and other historical attractions, as well as the natural amenities, recreational activities, sporting events and cultural attractions in the area. According to the Little Rock Convention and Visitor’s Bureau statistics, direct travel spending in the Little Rock Metro area totaled \$1.8 billion in 2016.

BUSINESS GROWTH

Bill and Hillary Clinton National Airport is a large driver of economic activity for the State of Arkansas. Commercial airports generate \$2 billion to the state’s economy each year while Aerospace is Arkansas’ number one export, accounting for more than \$1.8 billion annually. 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, centrally located in the state, is approximately three hours from the furthest border and is the true gateway for economic development.

THE AVIATION INDUSTRY

Revenue generated at the Airport depends, in large part, upon the financial health of the aviation industry. In recent years, the economic condition of the commercial service industry has undergone significant changes, including mergers, acquisitions, and bankruptcies. Further, the industry remains sensitive to a variety of other factors, including (a) the cost and availability of fuel, aircraft, and insurance, (b) currency values, (c) competitive considerations, including airline ticket pricing, (d) traffic and capacity constraints, (e) governmental regulations, including security, taxes, and environmental requirements, (f) labor actions such as strikes and other union activities, and (g) disruptions due to airline incidents, criminal incidents, and acts of war or terrorism.

A 2016 analysis by the Federal Aviation Administration showed that airlines and their customers, along with airports, manufacturers and suppliers, ultimately supported more than 10 million jobs across the country in related industries such as research and development, manufacturing and tourism. Over 41,000 of those jobs are located in Arkansas. ¹

AIRPORT PASSENGER TRAFFIC

Passenger traffic at the Airport is affected by Little Rock Metro's economic profile. For example, the amount and type of commerce in the region may affect the level of business travel to and from Little Rock; or the amount of per capita personal income in the Little Rock Metro area may affect the level of discretionary travel from the Airport. The Little Rock Metro Area is among many metro areas across the nation still recovering from the 2009 economic downturn. Approximately two million total passengers (enplaning and deplaning) chose the Airport during fiscal year 2016, reflecting a .42 percent increase 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 2016, 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.

1 - Airlines for America, 3/10/17

The Wright Amendment, which originally governed Southwest Airlines traffic at Dallas Love Field and restricted non-stop flights from the Airport to destinations only in Texas and neighboring states, expired on October 13, 2014. As a result, Southwest reduced the frequency of flights from LIT and other small-hub airports in November 2014. The impact of this was felt through 2015 with passenger traffic continuing to decline. 2016 represented the first year with an increase in enplaned passengers since 2012.

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 2016 included:

West Airfield Drainage Improvements (Phase I)

This project, which was completed in September 2016, 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.

Rehabilitation of Taxiways Alpha and Bravo

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

Runway 4R Safety Area Improvements

The project, which was completed in October 2016, includes demolition and removal of the existing Engineered Materials Arresting System (EMAS) located off the end of Runway 4R which is past its useful life and generates Foreign Object Debris (FOD) when exposed to jet blast. The demolition and removal will also include the existing asphalt support pavement and an asphalt blast pad at the end of the runway. A new 200' x 200' concrete blast pad will be constructed in the place of the EMAS. Other work includes the construction of a 12' x 850' access drive along the Medium Intensity Approach Lighting System and construction of approximately 3,000 linear feet of 20' wide concrete perimeter road along the east side of the runway.

New Passenger Boarding Bridges (PBB's) at Gates 1 & 3

As part of the ongoing Concourse Renovations Program, new PBB's were installed at Gates 1 & 3. The bridges previously located at these gates were owned by the airlines. The project consisted of design, acquisition, engineering, fabrication, transportation to the site, installation and phasing, testing and commissioning of the new PBB's.

Restroom Renovations

Another part of the ongoing Concourse Renovations Program, restrooms in the baggage claim and car rental areas have undergone complete renovations including replacement of flooring, wall finishes, fixtures, plumbing, electrical, partitions and countertops to extend their useful life and to bring the facilities into compliance with Americans with Disabilities Act standards.

Electrical Vaults Upgrades

The airfield electrical vaults house the Airport's airfield lighting control and power equipment. The project includes upgrading the electrical service and power distribution systems at both (east and west) electrical vaults. Other items include installation of new fire alarm systems with options for enhanced detection systems and fire suppression systems for both vaults

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 2016, the FAA approved \$7.8 million in AIP entitlement and discretionary grants for the rehabilitation of Taxiways Alpha and the installation of centerline lights and rehabilitation of Runway 4R22L. The FAA-grant-eligible costs through 2021 are estimated at \$41.5 million, which anticipates \$10.7 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 2016, the Airport received \$621,659 in approved state grant funds.

PASSENGER FACILITY CHARGES

Passenger Facility Charges (PFCs) are authorized by the FAA, 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 impacts. During 2016, the Airport received approval from the FAA for PFC Application 9 in the amount of \$18.1 million increasing the Airport's authority to impose a PFC fee to \$114.1 million. The FAA estimates the charge expiration date for approved PFC applications to be February 2020. During fiscal year 2016, the Airport received \$3.8 million in PFC receipts, bringing the total PFC receipts and interest received since May 1, 1995, under the approved applications to \$98.7 million.

OTHER SIGNIFICANT ACTIVITIES

Envoy Air Aircraft Maintenance Facility

In September 2016, Envoy Air announced it will establish a new Aircraft Maintenance facility at the Airport to support their growing fleet of Embraer 175 (E175) aircraft. Envoy will modify a 37,000 square foot hangar and support space that are part of the former Hawker campus. This facility will provide 60 new jobs when it is fully operational in 2017.

Concourse Renovation Project

During 2016, the Airport began a \$20.6 million project to improve the passenger experience. Enhancements include a modernized concourse interior (including new gate seating with AC and USB outlets), five new passenger boarding bridges and other technology enhancements.

Verizon Distributed Antenna System (DAS)

In 2016, Verizon Wireless completed the installation of DAS equipment throughout the Airport to improve cell phone coverage for their customers and customers of other carriers. Besides improving cell coverage for passengers and Airport tenants, this also added another source of non-aeronautical revenue for the Airport.

Cantrell Drug Lease

In January 2016, the Airport executed a lease with Cantrell Drug Company for them to occupy the former Southwest Airlines Reservations Center. The Airport began receiving revenue from land and facility rent in May 2016.

Passenger Facility Charge (PFC) Application #9

As referred to above, during 2016 the Airport applied with the Federal Aviation Administration to continue collection under the PFC program. The Airport received approval of Application #9 in May 2016, thereby extending the Airport's collection authority through April 2020.

Fastest Free WiFi

In November 2016, the Airport was named as having the best airport WiFi in the world. The designation was released by Rotten WiFi, a tech watchdog that has tested speed and user satisfaction in 226 airports worldwide.

Soaring Customer Satisfaction

Customer service enhancements continue to rank Bill and Hillary Clinton National Airport well above the national average for passenger satisfaction. Results from Phoenix Marketing International's 2016 Passenger Survey show that overall satisfaction with the Airport was 97% for the year, three points higher than the 2015 survey and significantly higher than the national average of 85%. Passengers were most satisfied with the ease of getting to the terminal, check-in and overall facilities.

Debt-free Airport

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 elimination plan was realized with the elimination of debt service payments on the Series 2003 Bonds. The final phase of the debt elimination plan was accomplished in December 2015 when the Airport deposited \$6.9 million with the trustee to pay off the Series 2007 (A&B) Bonds at first call, November 2016. This effort has resulted in the elimination of all of the Airport's debt and the saving of over \$7 million in future interest payments..

OUTLOOK FOR THE FUTURE

The recent economic recession and slow recovery along with the challenges in the aviation industry have impacted the Airport, resulting in reductions of daily flights being offered by the airlines serving our region. During fiscal year 2017 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.

RELEVANT FINANCIAL POLICIES

Passenger Facility Charges

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, 2016 and 2015. The independent auditor's report on the fiscal year 2016 financial statements is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Airport for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2015 (see page 22). This was the second year the Airport received this prestigious award.

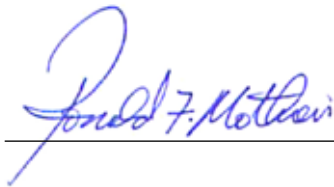
In order to be awarded a Certificate, a governmental unit must publish an easily readable and efficiently organized report, the contents of which conform to the program's standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal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

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Ronald F. Mathieu, CM
Executive Director



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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Bill and Hillary Clinton
National Airport, Arkansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015



Executive Director/CEO

FINANCIAL SECTION



BILL AND HILLARY
CLINTON
NATIONAL AIRPORT

FINANCIAL SECTION CONTENTS:

Independent Auditor's Report

Management's Discussion and Analysis (Unaudited)

Basic Financial Statements



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Bill and Hillary Clinton National Airport (the Airport), a component unit of the City of Little Rock, Arkansas, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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, 2016 and 2015, and the changes in its financial position and its cash flows for the years 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.

Other Information

Our audits were 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.

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

The Introductory and Statistical Sections 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 May 22, 2017, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
May 22, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

December 31, 2016 and 2015

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, 2016.

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 45 of this report.

BASIC FINANCIAL STATEMENTS

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

PASSENGER AND OTHER TRAFFIC ACTIVITY HIGHLIGHTS

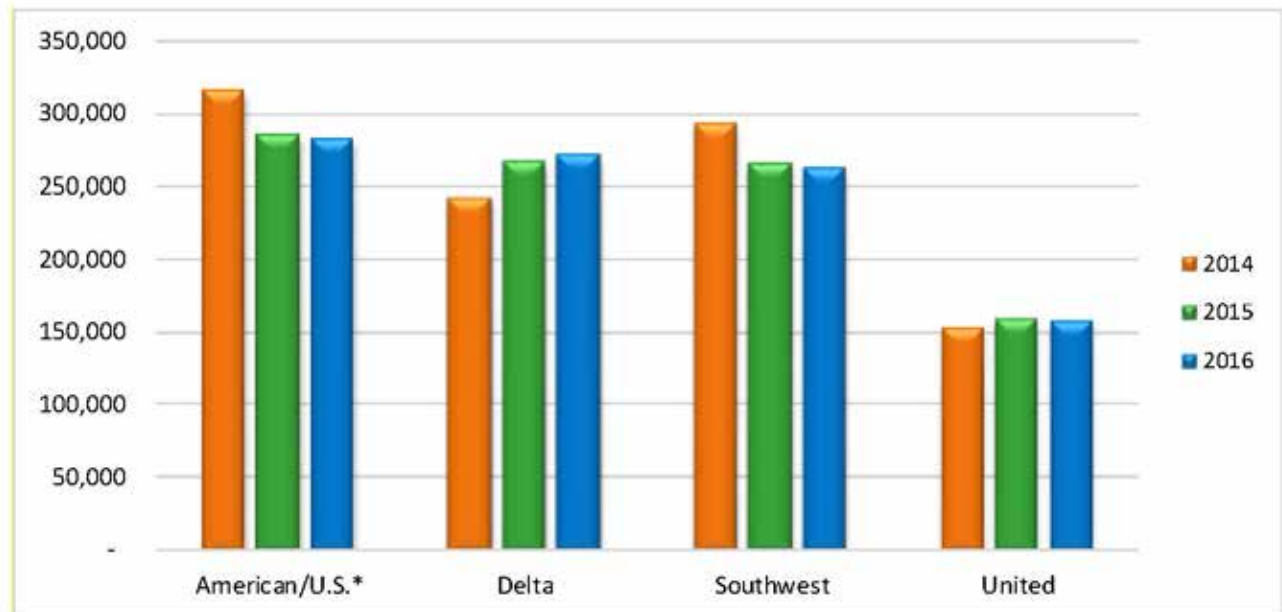
The following table highlights changes in LIT's key operating statistics for the last three fiscal years:

Key Operating Information	2016	2015	2014
Total Passengers (in 000's)	1,991	1,979	2,076
Enplanements (in 000's)	997	993	1,038
Cost per Enplaned Passenger	\$ 10.49	\$ 9.72	\$ 9.03
Aircraft Operations	101,215	99,039	90,434
Landed Weights (in 000's)	1,315,240	1,275,478	1,425,502
Air mail (lbs.)	963,606	935,163	562,267
Air Freight (lbs.)	16,290,034	16,723,298	16,694,302
Ground Rental (Acres)	246.6	235.4	242.5
Facility Leases (SF)	851,561	846,754	747,972

Source: Bureau of Transportation Statistics, T-100 Domestic Market and LIT Management Records

ENPLANED PASSENGERS

The following chart presents the top airlines at LIT by number of passenger enplanements for fiscal year 2016 and the comparative enplanements for fiscal years 2015 and 2014.



* - American Airlines and U.S. Airways merged in October 2015

Source: Monthly Airline Activity Reports

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

FISCAL YEAR 2016

Departing passengers (enplanements) play a prominent role in the Airport's financial operations. During fiscal year 2016, passenger enplanements increased by about 4,000, or .4%, compared to fiscal year 2015. Of the 996,897 passengers that departed from the Airport, Southwest, American and Delta accounted for 82% of the market share.

FISCAL YEAR 2015

The FAA classifies the airport hub size based on the contribution of the Airport to the national air system. This is measured in terms of passenger enplanements. During fiscal year 2015, passenger traffic at LIT continued to decline with a reported 992,712 passenger enplanements compared to 1,038,307 for fiscal year 2014. The reduction of about 46,000 passengers, or -4.4%, was attributed to the continued impact of the Wright Amendment on Southwest Airlines flights. In addition, the merger of American Airlines and U.S. Airways resulted in the loss of the flight to New York.

Air Traffic Operations

The chart presents scheduled daily flights departing from LIT at December 31, 2016, and the comparative flights for fiscal years 2015 and 2014.

Destination	2016	2015	2014
Atlanta, GA (ATL)	7.0	7.0	7.0
Baltimore, MD (BWI)	-	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)	8.0	8.0	8.0
Dallas, TX (DAL)	3.0	3.0	3.0
Dallas, TX (DFW)	7.0	7.0	7.0
Denver, CO (DEN)	3.0	3.0	2.0
Destin, FL (DSI)	0.1	-	-
Detroit, MI (DTW)	1.0	1.0	1.0
Houston, TX (IAH)	5.0	5.0	5.0
Las Vegas, NV (LAS)	1.0	1.0	1.0
Los Angeles, CA (LAX)	0.1	0.1	-
New Orleans, LA (SMY)	2.0	2.0	-
New York (LGA)	-	-	1.0
Orlando, FL (SFB)	0.3	0.3	0.3
Phoenix, AZ (PHX)	1.0	1.0	1.0
Saint Louis, MO (STL)	2.0	-	-
Total Daily Flights	44.5	43.4	41.3

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

Overview of LIT's Financial Statements

FINANCIAL HIGHLIGHTS, FISCAL YEAR 2016

- LIT's assets exceeded liabilities at December 31, 2016, by \$378.0 million.
- Operating revenue totaled \$32.9 million.
- Operating expenses (excluding depreciation) totaled \$20.1 million.
- Net nonoperating revenue was \$4.9 million.
- Federal grants totaled \$12.6 million.
- Net position increased by \$16.4 million.

FINANCIAL HIGHLIGHTS, FISCAL YEAR 2015

- LIT's assets exceeded liabilities at December 31, 2015, by \$361.5 million.
- Bonded debt was eliminated.
- Operating revenue totaled \$31.2 million.
- Operating expenses (excluding depreciation) totaled \$21.4 million.
- Net nonoperating revenue was \$4.9 million.
- Federal grants totaled \$3.7 million.
- Net position increased by \$6.8 million.

Net Position

Total net position serves over time as a useful indicator of the Airport's financial position. As shown in the table below, and in the basic financial statements, the net position of the Airport is represented as follows:

	2016	2015	2014	FY16 vs. FY15 % Change	FY15 vs. FY14 % Change
Assets and Deferred Outflows of Resources					
Cash and cash equivalents	\$ 33,977,239	\$ 24,884,329	\$ 17,883,780	36.5%	39.1%
Restricted cash and cash equivalents	9,802,812	12,361,002	19,966,258	-20.7%	-38.1%
Accounts receivable, less allowance	1,046,998	835,979	646,812	25.2%	29.2%
Other current assets	5,066,106	3,333,265	5,844,323	52.0%	-43.0%
Capital assets, net	333,792,002	324,083,613	325,058,973	3.0%	-0.3%
Other noncurrent assets	390,557	379,297	288,271	3.0%	31.6%
Total assets	384,075,714	365,877,485	369,688,417	5.0%	-1.0%
Deferred outflows of resources	-	-	45,402	0.0%	-100.0%
Total assets and deferred outflows of resources	\$ 384,075,714	\$ 365,877,485	\$ 369,733,819	5.0%	-1.0%
Liabilities					
Current liabilities	\$ 6,117,246	\$ 4,365,578	\$ 6,630,169	40.1%	-34.2%
Long-term debt	-	-	8,409,762	-	-100.0%
Total liabilities	6,117,246	4,365,578	15,039,931	40.1%	-71.0%
Net Position					
Net investment in capital assets	330,353,169	322,340,670	312,867,506	2.5%	3.0%
Restricted	10,193,369	12,740,299	20,179,175	-20.0%	-36.9%
Unrestricted	37,411,930	26,430,938	21,647,207	41.5%	22.1%
Total net position	377,958,468	361,511,907	354,693,888	4.5%	1.9%
Total liabilities and net position	\$ 384,075,714	\$ 365,877,485	\$ 369,733,819	5.0%	-1.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

NET POSITION, FISCAL YEAR 2016

At the close of fiscal years 2016 and 2015, LIT's assets exceeded liabilities by \$378.0 million and \$361.5 million, respectively, representing a 4.6% increase, or \$16.5 million.

The largest portion of LIT's net position (\$330.4 million, or 87.4%) reflects its investment in capital assets less depreciation. These assets increased \$8 million (2.5%) when compared to the balance at the end of 2015 (\$322.3 million). Airfield and terminal construction projects accounted for a majority of this \$8 million increase. Capital asset additions are generally financed through issuance of revenue bonds, grants from federal agencies, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs) and existing resources.

An additional portion of LIT's net position (\$10.2 million, or 2.7%) represents resources that are subject to various restrictions on how they are used. Currently, the only restricted fund at the Airport is the PFC fund. The balance in the PFC fund decreased \$2.5 million during 2016. These funds were transferred to the unrestricted Operating fund to reimburse the Airport for historic costs that were incurred in prior years. Unrestricted net position increased by 41.5% from \$26.4 million at December 31, 2015, to \$37.4 million at December 31, 2016. This is primarily due to an increase in the balance in the Operating cash account during 2016. As referred to above, about \$2.5 million of this increase was related to the net transfer of funds from the restricted PFC account to the unrestricted Operating cash account.

NET POSITION, FISCAL YEAR 2015

At the close of fiscal years 2015 and 2014, LIT's assets exceeded liabilities by \$361.5 million and \$354.7 million, respectively, representing a 1.9% increase, or \$6.8 million.

The Airport's net investment in capital assets (\$322.3 million) represents 89.2% of the net position as of the end of 2015. These assets increased \$9.5 million, or 3%, during 2015. Most of the Airport's investment in capital assets during 2015 was made in airfield pavement as well as in other airfield and building improvements.

Assets held in restricted accounts accounted for \$12.7 million, or 3.5%, of the net position, at the close of 2015. Compared to the 2014 year-end balance, this represents a \$7.4 million (36.9%) reduction. With the early retirement of the Airport bonds at the end of 2015, the debt service reserve funds were no longer needed. These funds decreased \$1.6 million when compared to the balances at the end of 2014. The PFC fund (\$12.7 million) was the only restricted fund with a balance at the end of 2015. The 2015 reduction in the PFC fund was due to transfers to the unrestricted Operating fund to reimburse historical costs.

Unrestricted net position increased by 22.1% from \$21.6 million at December 31, 2014, to \$26.4 million at December 31, 2015. As presented, current assets consist mainly of cash, investments and accounts receivable that are immediately available to meet any of the Airport's ongoing obligations. During fiscal year 2015, the Airport executed the advanced extinguishment of the Series 2007 Airport Revenue Bonds without reducing its Operating cash balance. Also as noted above, during 2015 the Airport transferred funds from the PFC (restricted) account into the unrestricted cash account to reimburse historic land acquisition and legacy costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

Changes in Net Position Summary

A condensed summary of LIT's changes in net position for fiscal years ended 2016, 2015 and 2014 is presented below:

	2016	2015	2014	FY16 vs. FY15 % Change	FY15 vs. FY14 % Change
Operating revenue	\$ 32,873,009	\$ 31,237,769	\$ 30,648,296	5.2%	1.9%
Less: operating expenses	20,114,901	21,380,293	20,101,509	-5.9%	6.4%
Operating income before depreciation	12,758,108	9,857,476	10,546,787	29.4%	-6.5%
Less: depreciation	14,486,130	14,459,027	13,929,312	0.2%	3.8%
Loss from operations	(1,728,022)	(4,601,551)	(3,382,525)	-62.4%	36.0%
Other nonoperating revenue, net	4,925,820	4,869,818	4,373,116	1.1%	11.4%
Capital contributions and grants	13,248,763	6,549,752	8,679,655	102.3%	-24.5%
Change in net position	16,446,561	6,818,019	9,670,246	141.2%	-29.5%
Net position, beginning of year	361,511,907	354,693,888	345,023,642	1.9%	2.8%
Net position, end of year	\$ 377,958,468	\$ 361,511,907	\$ 354,693,888	4.5%	1.9%

NET POSITION CHANGES, FISCAL YEAR 2016

Operating revenue for 2016 of \$32.9 million increased \$1.7 million, or 5.2%, from the 2015 balance of \$31.2 million. Operating expenses decreased by \$1.3 million to \$20.1 million. That is a 5.9% decrease from the \$21.4 million total for 2015. With the increase in capital assets during 2016, depreciation for 2016 was \$14.5 million, or \$27K greater than the \$14.5 million in depreciation recorded in 2015. The 2016 loss from operations was \$1.7 million, which was \$2.9 million, or 62.4%, less than the \$4.6 million loss from operations for 2015.

Other nonoperating revenue net was \$4.9 million in 2016 compared to \$4.9 million in 2015, an increase of \$41K, or 1.1%. Capital contributions and grants for 2016 were \$13.3 million. This represents an increase of \$6.7 million, or 102%, from the \$6.6 million reported in 2015. Net position at the end of 2016 was \$378.0 million. This was up \$16.5 million, or 4.5%, from the \$361.5 million balance at the end of 2015.

NET POSITION CHANGES, FISCAL YEAR 2015

Operating revenue for 2015 of \$31.2 million increased \$589K, or 1.9%, from the 2014 balance of \$30.6 million. Operating expenses at the Airport increased \$1.3 million to \$21.4 million. That is a 6.4% increase over the \$20.1 million total for 2014. With the increase in capital assets during 2015 referred to above, depreciation for 2015 was \$14.5 million, or \$530K greater than the \$13.9 million in depreciation recorded in 2014. The 2015 loss from operations was \$4.6 million, which was \$1.2 million or 36.0% more than the \$3.4 million loss from operations for 2014.

Other nonoperating revenue net was \$4.4 million in 2014 compared to \$4.9 million in 2015, an increase of \$479K, or 11.4%. Capital contributions and grants for 2015 were \$6.6 million. This represents a decrease of \$2.1 million, or 24.5%, from the \$8.7 reported in 2014. Net position at the end of 2015 was \$361.5 million. This was up \$6.8 million, or 1.9%, from the \$354.7 million balance at the end of 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

Operating Revenue

LIT derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2016, 2015 and 2014:

Summary of Operating Revenue					
	2016	2015	2014	FY 2016 Incr (Decr)	FY 2015 Incr (Decr)
Operating Revenues					
Airline revenues					
Airport landing and related fees	\$ 5,301,723	\$ 4,992,768	\$ 5,132,689	\$ 308,955	\$ (139,921)
Terminal building rental and related fees	5,546,535	5,028,594	4,592,916	517,941	435,678
Facility use fees	167,700	175,125	143,325	(7,425)	31,800
Total airline revenues	<u>11,015,958</u>	<u>10,196,487</u>	<u>9,868,930</u>	<u>819,471</u>	<u>327,557</u>
Nonairline revenues					
Parking fees	9,251,248	9,121,334	9,434,927	129,914	(313,593)
Concession fees	1,255,789	1,182,673	1,248,579	73,116	(65,906)
Car rental operations	6,622,122	6,398,853	6,311,336	223,269	87,517
Facility and ground rentals	3,671,559	3,458,891	3,068,575	212,668	390,316
Other	1,056,333	879,531	715,949	176,802	163,582
Total nonairline revenues	<u>21,857,051</u>	<u>21,041,282</u>	<u>20,779,366</u>	<u>815,769</u>	<u>261,916</u>
Total operating revenues	<u>\$ 32,873,009</u>	<u>\$ 31,237,769</u>	<u>\$ 30,648,296</u>	<u>\$ 1,635,240</u>	<u>\$ 589,473</u>

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.

Airport landing and related 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.

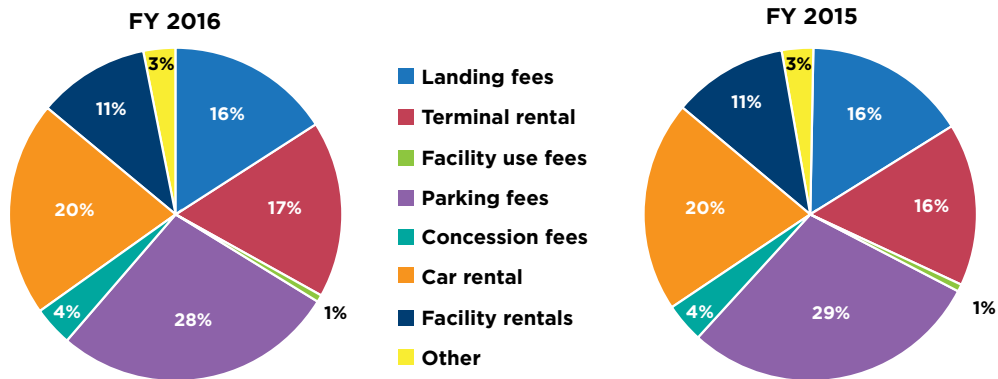
Terminal building rental and related fees are established on a cost recovery methodology that includes both operating costs and capital purchases for the terminal area. The compensatory rate structure allows the Airport to transfer a pro-rata share of the terminal costs to the airlines based on usable space.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

OPERATING REVENUE, FISCAL YEAR 2016

The following charts illustrate the proportion of sources of operating revenue for fiscal years ended December 31, 2016 and 2015:



For fiscal year ended December 31, 2016, total operating revenue was \$32.9 million, a \$1.6 million, or 5.2%, increase from the prior fiscal year. The growth in airline revenue was \$819K. Non-airline revenue had a net increase of \$816K mostly due to an increase facility and car rentals.

Airport landing fees totaled \$5.3 million in fiscal year 2016 compared to \$5.0 million reported in fiscal year 2015. Landing fee rates were increased from \$3.90 per 1,000 pounds to \$4.05 per 1,000 pounds during 2016. Landing fee weights increased during 2016 as a result of a combination of increases in flights and the size of aircraft used for flights.

Facility use fees of \$38.20 per square foot of actual terminal space utilized by the airlines increased compared to \$34.18 charged in fiscal year 2015. Facility 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 2016, a 4.2% decrease is reported compared to fiscal year 2015. This represents a reduction in the utilization of LIT's common use facilities, which are charged on a per turn basis. Part of the reduction was due to the installation of new passenger boarding bridges at gates 1 and 3. These gates were closed while the bridges were being replaced. During this period, the airlines that were affected were moved to another gate and were not charged a gate fee.

Non-airline 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 2016, nonairline revenues totaled \$21.9 million (a 3.9% increase) compared to \$21.0 million in fiscal year 2015. The changes in the larger components of nonairline revenues are described below.

Parking fees collected from vehicle parking areas, including metered and valet parking, totaled \$9.3 million in fiscal year 2016. This reflects a 1.4% increase compared to \$9.1 million reported for fiscal year 2015. The change in parking revenues was consistent with the slight increase in enplaned passengers during the current fiscal year.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

Concession fees from restaurants, advertising and vending totaled \$1.3 million in fiscal year 2016. This reflects a 6.2% increase compared to \$1.2 million reported for fiscal year 2015. Increases in revenues from advertising accounted for most of this increase, along with a slight increase in revenues from restaurants and retail.

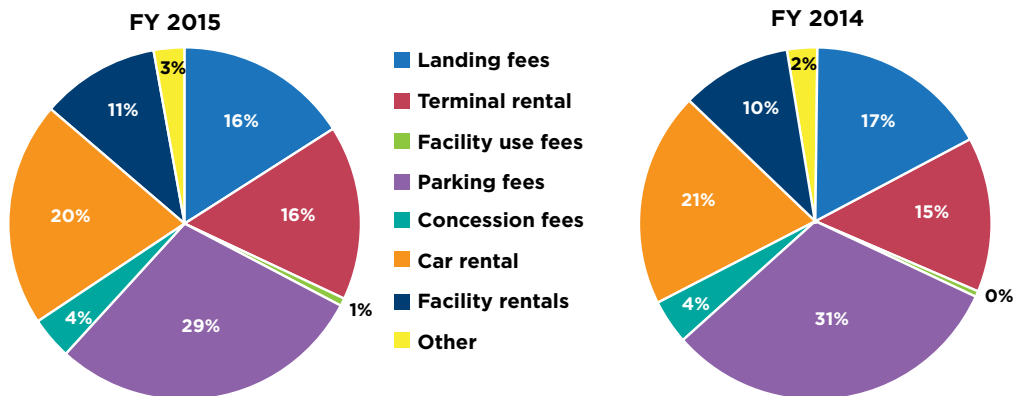
Rental car operations are a combination of various charges imposed on rental car agencies for the privilege of operating at the Airport. The rental car agencies paid percentage fees collected on gross revenues of \$3.5 million in fiscal year 2016 compared to the \$3.4 million collected in fiscal year 2015 (a 1.4% 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 2016, the Airport collected \$2.5 million, an increase of \$9K from the revenue collected in fiscal year 2015.

Nonairline rentals include commercial and industrial facility and ground rents that totaled \$3.7 million for fiscal year 2016. These rents were up 6.1% compared to the \$3.5 million in fiscal year 2015 due to primarily as a result of land and building rents from the Fly Arkansas agreement that took effect in August 2015. 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 and services sold, among other things, reflected an increase of 20.1% in fiscal year 2016 compared to fiscal year 2015.

OPERATING REVENUE, FISCAL YEAR 2015

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



For fiscal year ended December 31, 2015, total operating revenue was \$31.2 million, a \$589,473, or 1.9%, increase from the prior fiscal year. The growth in airline revenues was \$328K while non-airline revenues increased \$262K.

For the fiscal years ended December 31, 2015 and 2014, landing fees were \$5.0 million and \$5.1 million, respectively, for a decrease of \$140K. The landing fee rate increased from \$3.65 per 1,000 pounds to \$3.90 per 1,000 pounds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

Airport landing fees posted a growth of \$436K, or 9%, as a result of the increased rate per square foot. The increase in the rental rate from \$31.25 per square foot to \$34.18 per square foot provided for incidental costs associated with the new in-line baggage handling system (BHS). Additionally, the in-line BHS added 34,680 square feet to the airline-leased space. Airline use fees increased \$31K, or 22.2%, from 2015 to 2016.

During fiscal year 2015, nonairline revenues increased \$262K, or 1.3%, compared to fiscal year 2014. A majority of this increase came from nonairline rents through an annual adjustment in rental rates, as well as a partial year lease of the former Southwest Airlines reservation center to Cantrell Drug.

Concessions collected in the terminal for fiscal year 2015 reflected a 5.3% reduction, or \$66K loss, in revenues compared to fiscal year 2014. The decrease is attributable to the decline in passengers and was most noticeable in revenues from advertising and retail.

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

Other operating revenues for 2015 were \$880K compared to \$716K in 2014, an increase of \$164K, or 22.8%.

Operating Expenses

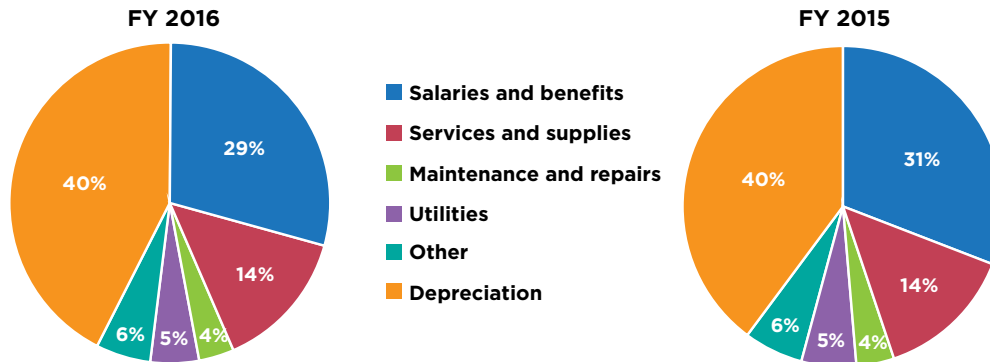
The following table presents a summary of LIT operating expenses for the fiscal years ended December 31, 2016, 2015 and 2014. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease and other miscellaneous items.

	2016	2015	2014	FY 2016 Incr (Decr)	FY 2015 Incr (Decr)
Salaries and benefits	\$ 10,102,574	\$ 11,193,730	\$ 10,130,005	\$ (1,091,156)	\$ 1,063,725
Services and supplies	5,080,196	5,027,857	5,125,363	52,339	(97,506)
Maintenance and repairs	1,295,490	1,265,116	1,111,564	30,374	153,552
Utilities	1,628,694	1,867,845	1,974,685	(239,151)	(106,840)
Other	2,007,947	2,025,745	1,759,892	(17,798)	265,853
Operating expenses before depreciation	20,114,901	21,380,293	20,101,509	(1,265,392)	1,278,784
Depreciation	14,486,130	14,459,027	13,929,312	27,103	529,715
Total operating expenses	\$ 34,601,031	\$ 35,839,320	\$ 34,030,821	\$ (1,238,289)	\$ 1,808,499

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

OPERATING EXPENSES, FISCAL YEAR 2016

The following charts illustrate the proportion of categories of operating expenses for fiscal years ended December 31, 2016 and 2015:



For the fiscal year ended December 31, 2016, operating expenses were \$34.6 million. Compared to the 2015 operating expenses of \$35.8 million, this represents a decrease of \$1.2 million, or 3.5%.

During fiscal year 2016, salaries and benefits decreased 9.7% primarily as a result of converting to a high-deductible health insurance plan at the beginning of the year.

Services and supplies expenses were \$5.1 million in 2016 compared to \$5.0 million during 2015. This is an increase of \$52K, or 1.0%, from the previous year. The Airport experienced a slight increase in electrical supplies and other technical supplies during 2016.

Expenses for maintenance and repairs were \$1.3 million during 2016. These expenses only increased \$30K, or 2.4% when compared to the expenses for 2015. Within this category, expenses for pavement and equipment increased, while contracts for environmental consulting and other facility contracts declined during 2016.

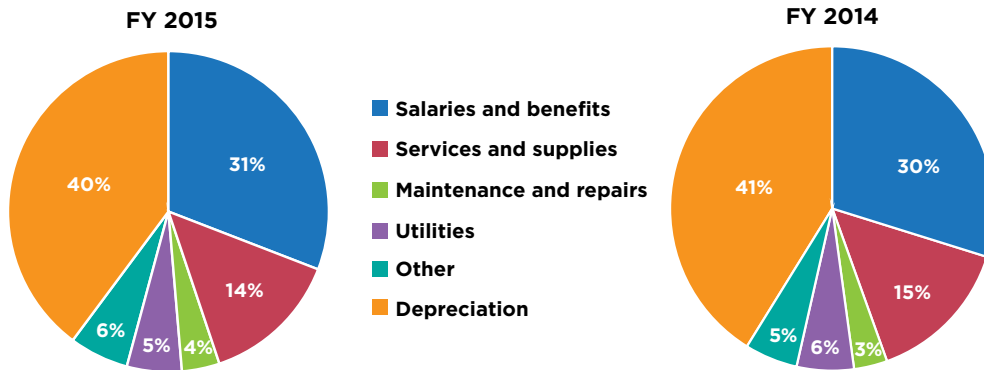
Utilities expenses decreased from \$1.9 million in 2015 to \$1.6 million in 2016. This represents a \$239K decrease, or 12.8%, in utility expenses. A natural gas delivery agreement that took effect during 2016 resulted in a significant decrease in the rates paid for natural gas.

The increase in depreciation charges from \$14.46 million in fiscal year 2015 to \$14.49 million in fiscal year 2016 was due to the completion of certain major projects in the terminal and airfield and a restatement of historical depreciation of an asset. During fiscal year 2016, \$11.1 million was reclassified from construction work in progress to depreciable capital asset categories.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

OPERATING EXPENSES, FISCAL YEAR 2015

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



For the fiscal year ended December 31, 2015, operating expenses were \$35.8 million, a \$1.8 million, or 5.3%, increase from the prior fiscal year. Expense categories that posted notable fluctuations were maintenance and repairs, up by \$154K, or 13.8%; salaries and benefits, up \$1.1 million, or 10.5%; and depreciation, up by \$530K. The remaining expense accounts had an aggregate increase of \$62K.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

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 2016, 2015 and 2014:

Summary of Nonoperating Transactions

	2016	2015	2014	FY 2016 Incr (Decr)	FY 2015 Incr (Decr)
Nonoperating revenue					
Passenger facility charges	\$ 3,839,384	\$ 3,866,346	\$ 4,060,772	\$ (26,962)	\$ (194,426)
Federal operating grants	298,595	314,605	358,928	(16,010)	(44,323)
Interest income	305,752	270,189	201,345	35,563	68,844
Gain on disposal of assets	(2,652)	22,723	11,186	(25,375)	11,537
Other nonoperating revenue	484,741	1,073,169	145,193	(588,428)	927,976
Total nonoperating revenues	\$ 4,925,820	\$ 5,547,032	\$ 4,777,424	\$ (621,212)	\$ 769,608
Interest expense, net of capitalized interest	\$ -	\$ 660,768	\$ 395,560	\$ (660,768)	\$ 265,208
Paying agents and trustees	-	16,446	8,748	(16,446)	7,698
Total nonoperating expenses	\$ -	\$ 677,214	\$ 404,308	\$ (677,214)	\$ 272,906
Federal, state, and local grants	\$ 13,248,763	\$ 4,379,192	\$ 6,777,321	\$ 8,869,571	\$ (2,398,129)
Contributions from lessees	-	2,170,560	1,902,334	(2,170,560)	268,226
Total capital contributions and grants	\$ 13,248,763	\$ 6,549,752	\$ 8,679,655	\$ 6,699,011	\$ (2,129,903)

NONOPERATING TRANSACTIONS, FISCAL YEAR 2016

PFC income for fiscal 2016 totaled \$3.8 million, a 0.7% reduction from the \$3.9 million collected in fiscal year 2015. Even though there was a slight increase in enplaned passengers during 2016, the decrease in PFC income is a result of 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.

During fiscal year 2016, interest income increased 13.2% as cash balances increased throughout the year. The primary cause of the increase in the cash balance was due to the increase in FAA discretionary grants received during 2016.

Capital contributions and grants for 2016 increased \$6.7 million, or 103%, compared to contributions and grants reported for 2015. Federal grants increased \$8.9 million. Contributions from lessees reflect tenant leaseholds that have expired and facilities have reverted to the Airport. During fiscal year 2016, there were no leased properties that reverted to the Airport.

NONOPERATING TRANSACTIONS, FISCAL YEAR 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

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

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

Capital Assets

Net of Accumulated Depreciation (in thousands)

	2016	2015	2014	FY 2016 Incr (Decr)	FY 2015 Incr (Decr)
Land	\$ 67,409	\$ 66,183	\$ 63,988	\$ 1,226	\$ 2,195
Construction work in progress	20,388	9,236	9,290	11,152	(54)
Capital assets not depreciated	87,797	75,419	73,278	12,378	2,141
Buildings and improvements	292,967	364,978	359,419	(72,011)	5,559
Equipment	19,550	20,593	19,850	(1,043)	743
Infrastructure	127,509	38,174	33,330	89,335	4,844
Capital assets depreciated	440,026	423,745	412,599	16,281	11,146
Less: accumulated depreciation	(194,031)	(175,080)	(160,818)	(18,951)	(14,262)
Net Capital Assets	\$ 333,792	\$ 324,084	\$ 325,059	\$ 9,708	\$ (975)

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, 2016 and 2015, was \$333.8 million and \$324.1 million, respectively. This investment, which accounts for 86.9% and 88.6% of LIT's total assets as of December 31, 2016 and 2015, respectively, includes land, buildings, improvements, equipment and vehicles and construction in progress.

CAPITAL ASSETS, FISCAL YEAR 2016

The following assets were capitalized during fiscal year 2016:

- **Terminal architectural services - \$229k**
- **West Airfield drainage improvements - \$2.5 million**
- **Parking access control system - \$337k**
- **Gate 5 restroom additions - \$2.5 million**
- **Loading dock improvements - \$232k**
- **Passenger boarding bridges - \$1.6 million**
- **Distributed antenna system (DAS) room - \$138k**
- **Runway 4R-22L safety area improvements - \$1.8 million**
- **Runway 4R-22L centerline lighting & rehabilitation - \$1.8 million**
- **Land acquisition - Rose Meadows Baier properties - \$51k**
- **Airfield vehicles and equipment - \$802k**
- **Computer system upgrades - \$462k**
- **Buildings and other improvements - \$744k**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

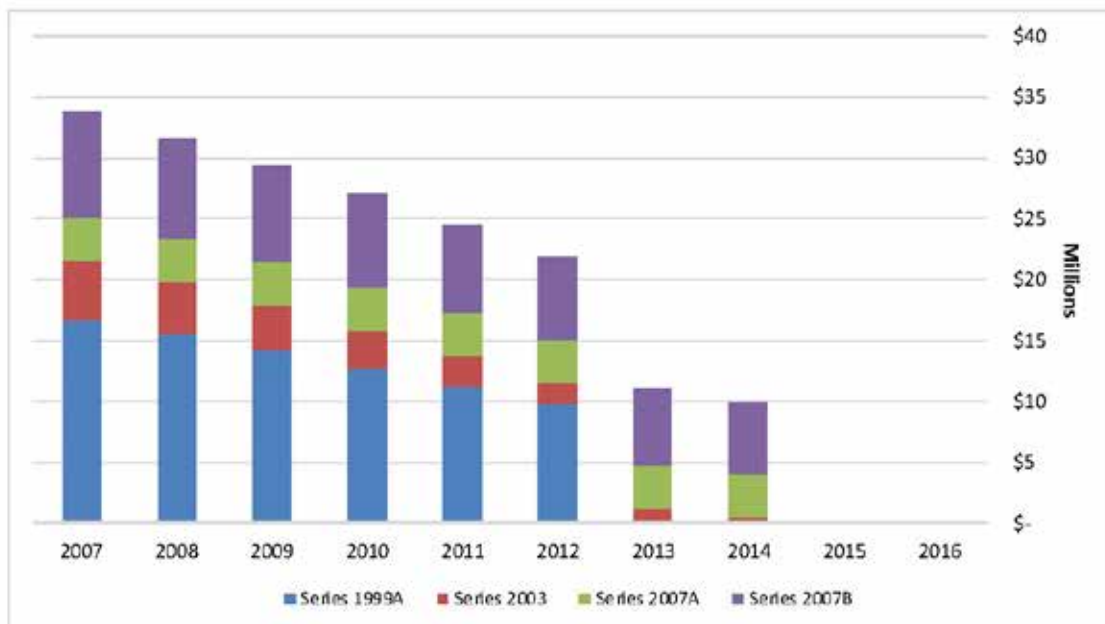
CAPITAL ASSETS, FISCAL YEAR 2015

The following assets were capitalized during fiscal year 2015:

- **Runway 4L/22R shoulder & edge lights - \$3.4 million**
- **Runway 4L/22R centerline & touchdown lighting - \$1.4 million**
- **Land acquisitions (Hollinsworth Grove, Cooper Road & pecan grove) - \$2.1 million**
- **Area one land acquisition - \$62K**
- **Terminal redevelopment and upgrades - \$574K**
- **Tug tunnel pavement investigation - \$95K**
- **AMF fueling system - \$607K**
- **Parking deck service upgrade - \$466K**
- **Rezoning ROW abandonment - \$38K**
- **Facility reversion - Central Flying Service building 38 - \$619K**
- **Facility reversion - Dassault Falcon Jet plating building - \$301K**

Long-Term Debt

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



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 2016

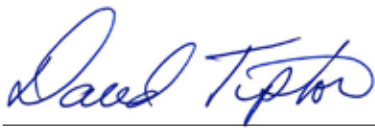
Credit Ratings

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

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

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 Road, Little Rock, Arkansas 72202 or by sending an email to finance@clintonairport.com or by calling (501) 537-7329.



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

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 33,977,239	\$ 24,884,329
Trade accounts receivable, net	1,046,998	835,979
Grants receivable	4,422,767	2,931,107
Prepaid expenses	<u>643,339</u>	<u>402,158</u>
Total current assets	<u>40,090,343</u>	<u>29,053,573</u>
Noncurrent Assets		
Cash – restricted	9,802,812	12,361,002
Passenger facility charges receivable – restricted	390,557	379,297
Nondepreciable capital assets	87,796,393	75,419,268
Depreciable capital assets, net	<u>245,995,609</u>	<u>248,664,345</u>
Total noncurrent assets	<u>343,985,371</u>	<u>336,823,912</u>
Total assets	<u>384,075,714</u>	<u>365,877,485</u>
Total assets	<u>\$ 384,075,714</u>	<u>\$ 365,877,485</u>

See Notes to Financial Statements

FINANCIAL SECTION



	<u>2016</u>	<u>2015</u>
Liabilities and Net Position		
Current Liabilities		
Payable from Unrestricted Assets		
Accounts payable – trade	\$ 858,144	\$ 768,449
Accrued wages and benefits	1,393,537	1,492,059
Due to other governmental units	28,194	24,197
Security deposits and unearned revenue	398,538	337,930
Total current liabilities payable from unrestricted assets	<u>2,678,413</u>	<u>2,622,635</u>
Payable from Restricted Assets		
Accounts payable – construction	<u>3,438,833</u>	<u>1,742,943</u>
Total current liabilities	<u>6,117,246</u>	<u>4,365,578</u>
Total liabilities	<u>6,117,246</u>	<u>4,365,578</u>
Net Position		
Net investment in capital assets	330,353,169	322,340,670
Restricted for capital projects	10,193,369	12,740,299
Unrestricted	<u>37,411,930</u>	<u>26,430,938</u>
Total net position	<u>377,958,468</u>	<u>361,511,907</u>
Total liabilities and net position	<u>\$ 384,075,714</u>	<u>\$ 365,877,485</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Airline Revenues		
Airport landing and related fees	\$ 5,301,723	\$ 4,992,768
Terminal building rentals and related fees	5,546,535	5,028,594
Facility use fees	167,700	175,125
Total airline revenues	<u>11,015,958</u>	<u>10,196,487</u>
Nonairline Revenues		
Parking fees	9,251,248	9,121,334
Concession fees	1,255,789	1,182,673
Car rental operations	6,622,122	6,398,853
Facility and ground rentals	3,671,559	3,458,891
Ground transportation	130,406	104,138
Services sold	413,870	375,274
General aviation activity	453,521	285,027
Other	58,536	115,092
Total nonairline revenues	<u>21,857,051</u>	<u>21,041,282</u>
Total operating revenues	<u>32,873,009</u>	<u>31,237,769</u>
Operating Expenses		
Salaries, wages and employee benefits	10,102,574	11,193,730
Professional and contractual services	4,149,740	4,188,836
Buildings and grounds maintenance	540,428	523,859
Equipment repair and maintenance	755,062	741,257
Marketing and public affairs	263,555	246,543
Utilities	1,628,694	1,867,845
Materials and supplies	930,456	839,021
Insurance	378,775	378,709
Other	1,365,617	1,400,493
Total operating expenses	<u>20,114,901</u>	<u>21,380,293</u>
Income from Operations Before Depreciation	12,758,108	9,857,476
Depreciation	<u>14,486,130</u>	<u>14,459,027</u>
Loss from Operations	<u>(1,728,022)</u>	<u>(4,601,551)</u>

See Notes to Financial Statements

FINANCIAL SECTION



	<u>2016</u>	<u>2015</u>
Nonoperating Revenues (Expenses)		
Passenger facility charges	\$ 3,839,384	\$ 3,866,346
Federal operating grants	298,595	314,605
Interest income	305,752	270,189
Interest expense, net of interest capitalized; 2016 – \$0, 2015 – \$88,139	-	(342,548)
Loss on extinguishment of debt	-	(318,220)
Gain (loss) on disposal of assets	(2,652)	22,723
Paying agent and trustee fees	-	(16,446)
Aviation fuel taxes	340,990	909,148
Other nonoperating income	143,751	164,021
	<u>4,925,820</u>	<u>4,869,818</u>
Increase in Net Position Before Capital Contributions and Grants	3,197,798	268,267
Capital Contributions and Grants		
Federal, state and local grants	13,248,763	4,379,192
Contributions from lessees	-	2,170,560
	<u>13,248,763</u>	<u>6,549,752</u>
Increase in Net Position	16,446,561	6,818,019
Net Position, Beginning of Year	<u>361,511,907</u>	<u>354,693,888</u>
Net Position, End of Year	<u>\$ 377,958,468</u>	<u>\$ 361,511,907</u>

STATEMENTS OF CASH FLOWS Years Ended December 31, 2016 and 2015

	2016	2015
Operating Activities		
Receipts from providing services	\$ 32,661,990	\$ 31,048,602
Payments to vendors for goods and services	(10,099,208)	(10,246,526)
Payments of salaries, wages and benefits	(10,201,096)	(11,260,284)
Net cash provided by operating activities	<u>12,361,686</u>	<u>9,541,792</u>
Noncapital Financing Activities		
Operating grants received	298,595	314,605
Aviation fuel taxes	340,990	909,148
Nonoperating reimbursements	143,751	164,021
Net cash provided by noncapital financing activities	<u>783,336</u>	<u>1,387,774</u>
Capital and Related Financing Activities		
Principal paid on bonds	-	(9,967,179)
Interest paid on bonds	-	(429,059)
Reacquisition costs on the extinguishment of debt	-	(318,220)
Proceeds from sale of capital assets	-	22,723
Acquisition and construction of capital assets	(22,501,281)	(11,783,294)
Receipts from federal and state grants	11,757,103	6,911,694
Receipts from passenger facility charges	3,828,124	3,775,320
Amounts paid for agent and trustee fees	-	(16,446)
Net cash used in capital and related financing activities	<u>(6,916,054)</u>	<u>(11,804,461)</u>
Investing Activities		
Interest received on cash	305,752	270,189
Net cash provided by investing activities	<u>305,752</u>	<u>270,189</u>
Net Change in Cash	6,534,720	(604,706)
Cash, Beginning of Year	<u>37,245,331</u>	<u>37,850,037</u>
Cash, End of Year	<u>\$ 43,780,051</u>	<u>\$ 37,245,331</u>

See Notes to Financial Statements

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (1,728,022)	\$ (4,601,551)
Item not requiring cash		
Depreciation expense	14,486,130	14,459,027
Change in assets and liabilities:		
Accounts receivable	(211,019)	(189,167)
Prepaid expenses	(241,181)	(21,444)
Accounts payable	154,300	(38,519)
Accrued expenses and other current liabilities	<u>(98,522)</u>	<u>(66,554)</u>
Net cash provided by operating activities	<u>\$ 12,361,686</u>	<u>\$ 9,541,792</u>
Noncash Capital and Related Financing Activities		
Capital assets contributed by lessees	\$ -	\$ 2,170,560
Supplemental Cash Flows Information		
Changes in payables for acquisition and construction of capital assets and improvements	\$ 1,695,890	\$ (470,188)

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

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

FINANCIAL REPORTING ENTITY

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

- a. The Commissioners are appointed by the mayor and confirmed by three-fourths vote of the elected and qualified members of the city council (Airport Commission Act, A.C.A. § 14-359-105 et seq.).*
- b. Any Commissioner appointed by the mayor and confirmed by three-fourths vote of the elected and qualified members of the city council may be removed upon a three-fourths vote of the elected and qualified members of the city council (Airport Commission Act, A.C.A. § 14-359-106 et seq.).*

BASIS OF ACCOUNTING AND FINANCIAL REPORTING

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

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

USE OF ESTIMATES

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

RECEIVABLES

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

PASSENGER FACILITY CHARGES

The Federal Aviation Administration's Passenger Facility Charge (PFC) Program allows the Airport to impose and use PFC fees up to \$4.50 for every enplaned passenger. The Airport requests collection authority from the Federal Aviation Administration (FAA) by submitting eligible capital projects that will enhance safety, security or capacity; reduce noise; or increase air carrier competition. PFCs, which are recognized as earned, are included in nonoperating revenues and amounted to \$3,839,384 and \$3,866,346 for December 31, 2016 and 2015, respectively.

CUSTOMER FACILITY CHARGES (RENTAL CARS)

The Airport imposes a per contract day fee payable by customers, accounted for, and remitted by rental car agencies as established by Resolution. Actual customer facility charge (CFC) revenues received by the Airport in accordance with the requirements of the resolution are used to pay for any legal use including, but not limited to, rental car facility expenses, operating and maintenance costs, facility rent, debt service, operating and maintenance expense reserve, and future costs associated with the rental car facility's capital reserve fund. The \$3.50 CFC became effective December 2009. CFC revenue totaled \$2,479,004 and \$2,469,780 for the years ended December 31, 2016 and 2015, respectively.

INVENTORIES

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

RENTAL INCOME

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

LESSEE-FINANCED IMPROVEMENTS

Certain leases include provisions whereby lessee-financed improvements become the property of the Airport. Generally, the Airport records lessee-financed improvements only upon leasehold reversion or lease termination, at which time the improvements are capitalized at acquisition value as of the date of acquisition and recorded as contribution income. Lessee-financed improvements that reverted to the Airport totaled \$0 and \$2,170,560 for the years ended December 31, 2016 and 2015, 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 \$0 and \$342,548 for the years ended December 31, 2016 and 2015, respectively, while interest capitalized as part of the cost of constructed assets was \$0 and \$88,139, respectively.

COMPENSATED ABSENCES

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

Non-exempt employees earn PTO at the rate of 4.62% of hours worked per pay period for the first 12 months, 6.16% for years one through four, 10.00% for years five through nine and 13.85% for 10 years and beyond. Exempt employees earn PTO at the rate of 15 days for the first 12 months, 24 days for years one through four, 30 days for years five through nine and 36 days for 10 years and beyond. Upon accumulation of 160 hours (20 days), at least 80 hours (10 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), up to a maximum of 26 days, at the beginning of the following year.

FEDERAL AND STATE GRANTS

Outlays for airport capital improvements 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.

NET POSITION

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 imposed by outside parties.

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.

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 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Cash

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, 2016 and 2015, 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.

SUMMARY OF CARRYING VALUES

Cash included in the statements of net position is classified as follows:

	<u>2016</u>	<u>2015</u>
Carrying value		
Deposits	<u>\$ 43,780,051</u>	<u>\$ 37,245,331</u>
Included in statements of net position		
Current assets		
Cash	\$ 33,977,239	\$ 24,884,329
Noncurrent assets		
Cash – restricted	<u>9,802,812</u>	<u>12,361,002</u>
	<u>\$ 43,780,051</u>	<u>\$ 37,245,331</u>

RESTRICTED CASH

Cash is restricted as follows:

	<u>2016</u>	<u>2015</u>
Passenger Facility Charge Fund	<u>\$ 9,802,812</u>	<u>\$ 12,361,002</u>
	<u>\$ 9,802,812</u>	<u>\$ 12,361,002</u>

The Passenger Facility Charge Fund has been established in accordance with Title 14, Part 158 of Federal Regulations. 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.

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, 2016 and 2015, consist of:

	<u>2016</u>	<u>2015</u>
Federal Aviation Administration	\$ 4,407,665	\$ 2,914,965
U.S. Department of Homeland Security	<u>15,102</u>	<u>16,142</u>
	<u>\$ 4,422,767</u>	<u>\$ 2,931,107</u>

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2016 and 2015, is as follows:

	2016				
	Beginning Balance	Additions	Disposals	Transfers/Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 66,182,688	\$ 63,621	\$ -	\$ 1,162,100	\$ 67,408,409
Construction in progress	9,236,580	22,286,927	-	(11,135,523)	20,387,984
Total capital assets, not being depreciated	75,419,268	22,350,548	-	(9,973,423)	87,796,393
Capital assets, being depreciated:					
Buildings and improvements:					
Buildings, improvements	356,909,903	10,195,608 ¹	2,681,042	(79,922,713)	284,501,756
Airport pavement	38,173,833	82,328	-	89,253,186	127,509,347
Other improvements	8,068,107	110,679	50,865	337,331	8,465,252
	403,151,843	10,388,615	2,731,907	9,667,804	420,476,355
Equipment, furniture and fixtures:					
Furniture, fixtures	2,007,312	-	311,795	-	1,695,517
Equipment	13,813,770	701,651	2,364,674	(170,575)	11,980,172
Rolling stock	1,968,033	212,297	156,406	434,416	2,458,340
Fire trucks	2,116,820	-	3,803	-	2,113,017
IT systems	686,820	577,933	3,625	41,778	1,302,906
	20,592,755	1,491,881	2,840,303	305,619	19,549,952
Total capital assets, being depreciated	423,744,598	11,880,496	5,572,210	9,973,423	440,026,307
Less accumulated depreciation					
Buildings and improvements	164,476,017	23,156,065 ¹	2,704,677	(252,917)	184,674,488
Equipment, furniture and fixtures	10,604,236	1,330,065	2,831,008	252,917	9,356,210
Total accumulated depreciation	175,080,253	24,486,130	5,535,685	-	194,030,698
Total capital assets, being depreciated, net	248,664,345	(12,605,634)	36,525	9,973,423	245,995,609
Capital assets, net	\$ 324,083,613	\$ 9,744,914	\$ 36,525	\$ -	\$ 333,792,002

¹ Lessee-financed improvements for which ownership had reverted to the Airport in prior years but had not been recognized in the accounting records of the Airport were recorded during the year ended December 31, 2016. The estimated acquisition value and accumulated depreciation related to these assets is \$10,000,000, resulting in a net book value of \$0. There is \$23,156,065 in additions to accumulated depreciation for buildings and improvements for the year ended December 31, 2016. The additions include \$10,000,000 for the lessee-financed improvements and \$13,156,065 in depreciation expense.

FINANCIAL SECTION



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

Note 5: Long-Term Debt

There was no long-term debt activity during the year ended December 31, 2016. Long-term debt activity of the Airport during the year ended December 31, 2015, consisted of:

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

ADVANCED EXTINGUISHMENT OF DEBT

In December 2015, the Airport deposited \$8,785,480 in an irrevocable trust with an escrow agent to provide funds for the payment of all remaining principal and interest through November 1, 2016, the date the bonds were fully redeemed. As a result, the 2007 Bonds were considered defeased as of December 31, 2015, and the liability for those bonds was removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the 2007 Bonds by \$318,220. This amount was recorded as a loss on the extinguishment of debt in the statement of revenues, expenses and changes in net position for the year ended December 31, 2015.

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 as advised by current counsel. The Airport's commercial insurance policies carry deductibles ranging from \$1,000 to \$20,000. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 7: Benefit Plans

The Airport has established a 401(a) defined contribution plan to cover all eligible employees. The plan is administered by the Retirement Committee of the Airport, and the Airport has the right to amend the plan and contribution requirements. As a condition of employment, each eligible employee must agree to contribute to the plan. The defined contribution plan requires the employer and the employee to contribute 10.00% and 5.00%, respectively, of the employee compensation to the plan. All contributions made by the employee are 100% vested and nonforfeitable at all times. The contributions made by the employer become 100% vested and nonforfeitable after five years of service or when the employee reaches 55 years of age, whichever comes first. In the event of a forfeiture of the account of a participant, the amount forfeited is first used to restore the account of a participant who is rehired, as provided for in the plan documents. If at the end of the plan year the forfeiture account is at least \$15,000, the balance of the forfeitures are allocated per capita among all vested participants who are employed on the last day of the plan year.

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

The Airport's contribution to the 401(a) defined contribution plan amounted to \$880,796 and \$925,497 for the years ended December 31, 2016 and 2015, 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, 2016, are as follows:

2017	\$ 8,585,341
2018	8,572,045
2019	7,642,895
2020	7,533,725
2021	5,123,652
Thereafter	<u>51,821,058</u>
	<u>\$ 89,278,716</u>

Note 9: Commitments and Contingencies

CAPITAL IMPROVEMENTS

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

At December 31, 2016, the Airport had the following commitments:

	<u>Project Authorization</u>	<u>Expended Through December 31, 2016</u>	<u>Remaining Commitment</u>
Airfield	\$ 26,184,238	\$ 14,029,772	\$ 12,154,466
Terminal	14,886,229	5,449,480	9,436,749
Parking and Roadways	<u>1,091,401</u>	<u>879,379</u>	<u>212,022</u>
Total	<u>\$ 42,161,868</u>	<u>\$ 20,358,631</u>	<u>\$ 21,803,237</u>

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 net position or changes in financial position.

Note 10: Related Party Transactions

The Airport operates as a component unit of the City of Little Rock, Arkansas. Accordingly, there are certain related party transactions that exist between the two entities. For each of the years ended December 31, 2016 and 2015, the Airport reimbursed the City of Little Rock, Arkansas, for approximately \$3.3 million in expenses incurred on behalf of the Airport. Payments included contracted police and fire services and reimbursement for utility costs associated with on-airport lighting.

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STATISTICAL SECTION



BILL AND HILLARY
CLINTON
NATIONAL AIRPORT

STATISTICAL SECTION



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

STATISTICAL SECTION (Unaudited) FISCAL YEAR ENDED DECEMBER 31, 2016

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.

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- Changes in Net Position 68
- Operating Revenues and Ratios 70
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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.

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Operating Information

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

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Net Position by Component FISCAL YEARS ENDED DECEMBER 31

	2016	2015	2014	2013	2012
Net Position					
Net investment in capital assets	\$ 330,353,169	\$ 322,340,670	\$ 312,867,506	\$ 311,522,353	\$ 260,583,852
Restricted for:					
Debt Service	-	-	2,442,039	3,201,793	5,025,266
Capital Projects	10,193,369	12,740,299	17,737,136	16,789,709	19,131,475
Unrestricted	37,411,930	26,430,938	21,647,207	13,509,787	27,841,237
Total net position	\$ 377,958,468	\$ 361,511,907	\$ 354,693,888	\$ 345,023,642	\$ 312,581,830
	2011	2010	2009	2008	2007
Net Position					
Net investment in capital assets	\$ 231,881,367	\$ 216,514,933	\$ 202,376,277	\$ 187,291,345	\$ 179,209,502
Restricted for:					
Debt Service	5,873,623	6,115,070	6,576,831	10,864,110	13,072,054
Capital Projects	28,569,414	30,075,637	27,661,055	23,487,744	21,415,039
Unrestricted	26,424,403	23,883,278	22,657,321	23,250,989	15,840,195
Total net position	\$ 292,748,807	\$ 276,588,918	\$ 259,271,484	\$ 244,894,188	\$ 229,536,790

Source: Airport audited financial statements

Changes in Net Position FISCAL YEARS ENDED DECEMBER 31

	2016	2015	2014	2013	2012
Operating Revenues					
Airline Revenues	\$ 11,015,958	\$ 10,196,487	\$ 9,868,930	\$ 9,514,753	\$ 8,071,457
Nonairline Revenues	21,857,051	21,041,282	20,864,474	21,114,137	20,949,826
Total operating revenues	32,873,009	31,237,769	30,733,404	30,628,890	29,021,283
Operating Expenses					
Salaries, wages and employee benefits	10,102,574	11,193,730	10,130,005	9,632,395	8,696,469
Services and supplies	5,080,196	5,027,857	5,125,363	5,434,107	5,123,392
Maintenance and repairs	1,295,490	1,265,116	1,111,564	1,071,833	675,612
Utilities	1,628,694	1,867,845	1,974,685	1,784,159	1,685,278
Other	2,007,947	2,025,745	1,759,892	1,922,201	1,533,490
Total operating expenses	20,114,901	21,380,293	20,101,509	19,844,695	17,714,241
Operating income before depreciation	12,758,108	9,857,476	10,631,895	10,784,195	11,307,042
Depreciation	14,486,130	14,459,027	13,929,312	12,014,349	11,219,709
Operating income (loss)	(1,728,022)	(4,601,551)	(3,297,417)	(1,230,154)	87,333
Nonoperating Revenues (Expenses)					
Passenger facility charges	3,839,384	3,866,346	4,060,772	4,307,994	4,716,821
Federal operating grants	298,595	314,604	358,928	264,963	326,200
Interest income	305,752	270,189	201,345	191,195	150,997
Interest expense	-	(660,768)	(395,560)	(377,462)	(1,213,058)
Gain (loss) on disposal of assets	(2,652)	22,723	11,186	(91,543)	96,268
Paying agent and trustee fees	-	(16,446)	(8,748)	(8,092)	(64,415)
Other nonoperating revenue (expense)	484,741	1,073,170	60,085	2,765,321	(652,590)
	4,925,820	4,869,818	4,288,008	7,052,376	3,360,223
Income (Loss) Before Capital Contributions	3,197,798	268,267	990,591	5,822,222	3,447,556
Federal, state and local grants	13,248,763	4,379,192	6,777,321	5,963,917	13,467,228
Contributions from lessees	-	2,170,560	1,902,334	13,117,864	2,918,239
Increase in Net Position	16,446,561	6,818,019	9,670,246	24,904,003	19,833,023
Net Position, Beginning of Year	361,511,907	354,693,888	345,023,642	320,119,639	292,748,807
Net Position, End of Year	\$ 377,958,468	\$ 361,511,907	\$ 354,693,888	\$ 345,023,642	\$ 312,581,830

Source: Airport audited financial statements

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

Changes in Net Position (continued) FISCAL YEARS ENDED DECEMBER 31

	2011	2010	2009	2008	2007
Operating Revenues					
Airline Revenues	\$ 8,072,734	\$ 8,153,611	\$ 8,029,349	\$ 8,973,551	\$ 6,520,064
Nonairline Revenues	19,449,781	17,156,226	15,293,964	15,813,241	15,388,966
Total operating revenues	27,522,515	25,309,837	23,323,313	24,786,792	21,909,030
Operating Expenses					
Salaries, wages and employee benefits	7,903,938	7,806,594	7,779,894	7,350,994	7,140,047
Services and supplies	4,381,345	3,982,900	3,679,841	5,577,843	5,245,119
Maintenance and repairs	987,523	1,187,713	1,036,633	943,362	805,721
Utilities	1,728,233	1,549,086	1,696,671	1,738,131	1,450,193
Other	1,293,400	1,441,397	1,170,446	1,193,969	930,942
Total operating expenses	16,294,439	15,967,690	15,363,485	16,804,299	15,572,022
Operating income before depreciation	11,228,076	9,342,147	7,959,828	7,982,493	6,337,008
Depreciation	10,654,708	10,211,882	9,766,686	7,056,684	7,038,443
Operating income (loss)	573,368	(869,735)	(1,806,858)	925,809	(701,435)
Nonoperating Revenues (Expenses)					
Passenger facility charges	4,582,970	4,715,232	4,882,731	5,327,845	6,051,964
Federal operating grants	31,231	291,041	(2,357,757)	330,011	320,090
Interest income	177,198	303,027	398,848	643,961	1,407,997
Interest expense	(1,328,827)	(1,435,651)	(1,534,716)	(1,659,148)	(1,744,635)
Gain (loss) on disposal of assets	(22,697)	23,058	(3,319)	(11,209)	-
Paying agent and trustee fees	(18,976)	(13,505)	(8,505)	(8,327)	(13,505)
Other nonoperating revenue (expense)	-	(80,540)	(38,733)	39,937	24,173
	3,420,899	3,802,662	1,338,549	4,663,070	6,046,084
Income (Loss) Before Capital Contributions	3,994,267	2,932,927	(468,309)	5,588,879	5,344,649
Federal, state and local grants	8,361,058	10,576,263	11,221,953	7,520,336	6,770,015
Contributions from lessees	3,804,564	3,808,245	3,623,652	2,248,183	2,344,796
Increase in Net Position	16,159,889	17,317,435	14,377,296	15,357,398	14,459,460
Net Position, Beginning of Year	276,588,918	259,271,484	244,894,188	229,536,790	215,077,330
Net Position, End of Year	\$ 292,748,807	\$ 276,588,919	\$ 259,271,484	\$ 244,894,188	\$ 229,536,790

Source: Airport audited financial statements

Operating Revenues and Ratios FISCAL YEARS ENDED DECEMBER 31

	2016	2015	2014	2013	2012
Airline revenues					
Landing fees	\$ 5,301,723	\$ 4,992,768	\$ 5,132,689	\$ 5,041,447	\$ 5,244,308
Terminal building revenues ⁽¹⁾	5,546,535	5,028,594	4,592,916	4,327,956	2,602,749
Facility use fees	167,700	175,125	143,325	145,350	224,400
Total airline revenues	11,015,958	10,196,487	9,868,930	9,514,753	8,071,457
Parking and roadway operations					
Parking fees	9,251,248	9,121,334	9,434,927	9,461,106	9,203,938
Ground transportation	130,406	104,137	102,849	94,244	103,745
	9,381,654	9,225,471	9,537,776	9,555,350	9,307,683
Concession revenues					
Rental car percentage fees	3,492,763	3,443,710	3,546,003	3,445,881	3,631,297
Terminal concession revenues	1,255,789	1,182,673	1,248,579	1,168,894	1,345,929
	4,748,552	4,626,383	4,794,582	4,614,775	4,977,226
Building rentals					
Terminal	273,393	253,332	251,286	245,133	240,234
Rental car	650,355	485,363	345,976	232,378	120,633
Other buildings	1,421,106	1,379,083	1,275,791	1,326,108	1,326,457
	2,344,854	2,117,778	1,873,053	1,803,619	1,687,324
Land leases	1,977,060	1,826,476	1,541,500	1,766,950	1,769,942
Other revenues					
Rental car CFC ⁽²⁾	2,479,004	2,469,780	2,419,357	2,489,028	2,562,711
Services sold	413,870	375,275	336,260	330,424	323,652
General aviation activity	453,521	285,027	166,748	151,562	154,916
Other	58,536	115,092	110,091	272,062	166,372
	3,404,931	3,245,174	3,032,456	3,243,076	3,207,651
Total nonairline revenues	21,857,051	21,041,282	20,779,367	20,983,770	20,949,826
Total operating revenues	\$ 32,873,009	\$ 31,237,769	\$ 30,648,297	\$ 30,498,523	\$ 29,021,283
Enplaned passengers	996,897	992,712	1,038,307	1,085,323	1,147,886
Total Operating Revenue per Enplaned Passenger	\$ 32.98	\$ 31.47	\$ 29.52	\$ 28.10	\$ 25.28
Airline Revenue per Enplaned Passenger ⁽³⁾	\$ 10.49	\$ 9.72	\$ 9.03	\$ 8.34	\$ 6.63

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 was imposed on rental car agencies.

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

Operating Revenues and Ratios (continued) FISCAL YEARS ENDED DECEMBER 31

	2011	2010	2009	2008	2007
Airline revenues					
Landing fees	\$ 5,252,828	\$ 5,325,861	\$ 5,262,802	\$ 6,428,738	\$ 4,153,090
Terminal building revenues ⁽¹⁾	2,584,307	2,582,400	2,521,696	2,450,705	2,293,206
Facility use fees	235,600	245,350	244,850	94,108	73,768
Total airline revenues	8,072,735	8,153,611	8,029,348	8,973,551	6,520,064
Parking and roadway operations					
Parking fees	8,924,613	9,058,860	7,427,281	7,809,261	7,870,850
Ground transportation	85,312	133,135	101,876	104,460	105,710
	9,009,925	9,191,995	7,529,157	7,913,721	7,976,560
Concession revenues					
Rental car percentage fees	3,301,949	3,188,670	3,150,924	3,438,454	3,452,778
Terminal concession revenues	1,179,707	1,175,092	1,162,632	1,232,965	1,121,617
	4,481,656	4,363,762	4,313,556	4,671,419	4,574,395
Building rentals					
Terminal	263,276	357,369	381,996	383,718	337,472
Rental car	-	-	-	-	-
Other buildings	1,574,566	1,522,458	1,498,303	1,459,545	1,225,594
	1,837,842	1,879,827	1,880,299	1,843,263	1,563,066
Land leases	1,126,085	1,132,066	1,148,834	1,044,890	1,024,767
Other revenues					
Rental car CFC ⁽²⁾	2,541,945	138,502	-	-	-
Services sold	205,023	181,221	171,884	86,649	53,118
General aviation activity	136,052	122,777	113,037	154,053	137,802
Other	111,252	146,076	137,198	99,246	59,258
	2,994,272	588,576	422,119	339,948	250,178
Total nonairline revenues	19,449,780	17,156,226	15,293,965	15,813,241	15,388,966
Total operating revenues	\$ 27,522,515	\$ 25,309,837	\$ 23,323,313	\$ 24,786,792	\$ 21,909,030
Enplaned passengers	1,102,739	1,124,703	1,134,970	1,193,502	1,267,697
Total Operating Revenue per Enplaned Passenger	\$ 24.96	\$ 22.50	\$ 20.55	\$ 20.77	\$ 17.28
Airline Revenue per Enplaned Passenger ⁽³⁾	\$ 6.82	\$ 6.81	\$ 6.64	\$ 6.92	\$ 5.14

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.

Operating Expenses and Ratios FISCAL YEARS ENDED DECEMBER 31

	2016	2015	2014	2013	2012
Operating Expenses by Type					
Salaries, wages, & employee benefits	\$ 10,102,574	\$ 11,193,730	\$ 10,130,005	\$ 9,632,395	\$ 8,696,469
Professional and contractual services	4,149,740	4,188,836	4,265,209	4,493,246	4,289,498
Buildings and grounds maintenance	540,428	523,859	359,459	303,231	284,283
Equipment repair and maintenance	755,062	741,257	752,105	768,602	385,180
Marketing & public affairs	263,555	246,543	112,667	324,732	205,583
Utilities	1,628,694	1,867,845	1,974,685	1,784,159	1,685,278
Materials and supplies	930,456	839,021	860,154	940,861	833,903
Insurance	378,775	378,709	371,617	364,230	363,203
Other	1,365,617	1,400,493	1,275,608	1,233,239	970,854
Total Operating Expenses by Type	\$ 20,114,901	\$ 21,380,293	\$ 20,101,509	\$ 19,844,695	\$ 17,714,251
Operating Expenses by Cost Center					
Administration	5,199,659	5,312,377	4,880,682	5,118,962	4,231,225
Airfield	5,581,946	6,175,519	5,533,395	5,552,164	5,175,507
Terminal	6,964,026	7,405,937	7,126,578	6,968,891	6,379,287
Parking	1,436,366	1,432,751	1,415,008	1,498,203	1,479,152
Shuttle	265,688	251,376	292,283	229,145	212,817
Rental car	93,864	103,771	99,842	7,499	4,170
Commercial/industrial	573,352	698,562	753,721	469,831	232,093
Total Operating Expenses by Cost Center	\$ 20,114,901	\$ 21,380,293	\$ 20,101,509	\$ 19,844,695	\$ 17,714,251
Enplaned passengers	996,897	992,712	1,038,307	1,085,323	1,147,886
Total Operating Expense per Enplaned Passenger	\$ 20.18	\$ 21.54	\$ 19.36	\$ 18.28	\$ 15.43

Source: Airport audited financial statements

Operating Expenses and Ratios FISCAL YEARS ENDED DECEMBER 31

	2011	2010	2009	2008	2007
Operating Expenses by Type					
Salaries, wages, & employee benefits	\$ 7,903,938	\$ 7,796,788	\$ 7,771,694	\$ 7,350,994	\$ 7,140,047
Professional and contractual services	4,054,917	3,835,643	3,523,660	6,125,539	5,859,205
Buildings and grounds maintenance	896,900	1,187,713	1,036,632	1,425,042	1,008,767
Equipment repair and maintenance	90,622	-	-	-	-
Marketing & public affairs	212,215	355,711	292,825	-	-
Utilities	1,728,233	1,549,086	1,696,671	1,738,131	1,450,193
Materials and supplies	326,428	147,257	156,181	164,593	113,810
Insurance	333,234	336,148	355,126	-	-
Other	747,951	749,539	522,495	-	-
Total Operating Expenses by Type	\$ 16,294,438	\$ 15,957,885	\$ 15,355,284	\$ 16,804,299	\$ 15,572,022
Operating Expenses by Cost Center					
Administration	3,692,663	3,923,446	3,689,509	3,453,384	4,010,554
Airfield	4,824,153	4,515,834	4,045,314	4,319,459	3,400,718
Terminal	5,749,614	5,085,187	5,304,982	6,375,003	6,275,971
Parking	1,467,003	2,034,865	1,940,608	2,214,879	1,409,814
Shuttle	200,272	189,423	190,837	206,467	226,664
Rental car	591	-	-	-	-
Commercial/industrial	360,142	209,130	184,034	235,107	248,301
Total Operating Expenses by Cost Center	\$ 16,294,438	\$ 15,957,885	\$ 15,355,284	\$ 16,804,299	\$ 15,572,022
Enplaned passengers	1,102,739	1,124,703	1,134,970	1,193,502	1,267,697
Total Operating Expense per Enplaned Passenger	\$ 14.78	\$ 14.19	\$ 13.53	\$ 14.08	\$ 12.28

Source: Airport audited financial statements

Airport Rates, Charges and Fees FISCAL YEARS ENDED DECEMBER 31

AIRLINE RATES AND CHARGES

	2016	2015	2014	2013	2012
Landing fee rate (per 1,000 lbs)	\$ 4.05	\$ 3.90	\$ 3.65	\$ 3.39	\$ 3.39
Terminal building rental rate (per sq. ft.)	38.20	34.18	31.25	30.34	24.74
Gate fee (per turn)	81.45	77.90	79.15	75.00	75.00
Jet bridge fee (per turn)	68.50	68.50	68.50	25.00	25.00
Aircraft ramp fee	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Remain overnight (RON) fee	75.00	75.00	75.00	50.00	50.00

	2011	2010	2009	2008	2007
Landing fee rate (per 1,000 lbs)	\$ 3.39	\$ 3.39	\$ 3.39	\$ 3.62	\$ 2.23
Terminal building rental rate (per sq. ft.)	24.74	24.74	24.74	23.38	22.84
Gate fee (per turn)	75.00	75.00	70.00	59.00	59.00
Jet bridge fee (per turn)	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	50.00	50.00	50.00	-	-

Source: Airport Management Records

PARKING FEES (DAILY MAXIMUM)

	2016	2015	2014	2013	2012
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

	2011	2010	2009	2008	2007
Parking deck	\$ 13.00	\$ 13.00	\$ 10.00	\$ 10.00	\$ 10.00
Short term lots (east and west)	13.00	13.00	10.00	10.00	10.00
Long term lot (south)	10.00	10.00	8.00	8.00	8.00
Peanut lot (economy)	8.00	8.00	6.00	6.00	6.00

Source: Airport Management Records

STATISTICAL SECTION



Principal Revenue Customers FISCAL YEARS ENDED DECEMBER 31

Customer	2016	2015	2014	2013	2016 % of Total Operating Revenue
Envoy Air	\$ 3,100,856	\$ 1,917,452	\$ 2,220,477	\$ 1,743,461	9.4%
Delta Air Lines	2,978,335	2,615,258	2,295,570	2,010,143	9.1%
EAN Holdings	2,684,664	2,588,678	2,323,779	2,053,107	8.2%
Southwest Airlines	2,610,712	2,499,549	2,770,732	2,652,278	7.9%
Avis Budget Group	1,941,844	1,935,365	1,946,751	1,750,480	5.9%
United Air Lines	1,810,882	1,670,826	1,484,287	1,180,416	5.5%
Dassault Falcon Jet	1,385,652	1,503,297	1,317,710	817,894	4.2%
TAC Air	1,257,119	1,138,587	-	-	3.8%
Central Flying Service	-	-	724,910	599,539	0.0%
Carco Carriage (Hertz)	1,208,413	1,160,010	1,245,049	1,036,287	3.7%
HMS Host Inc.	1,147,012	1,112,955	1,142,464	993,305	3.5%
	<u>\$ 20,125,489</u>	<u>\$ 18,141,977</u>	<u>\$ 17,471,729</u>	<u>\$ 14,836,910</u>	<u>61.2%</u>

Information prior to 2013 is not available

STATISTICAL SECTION



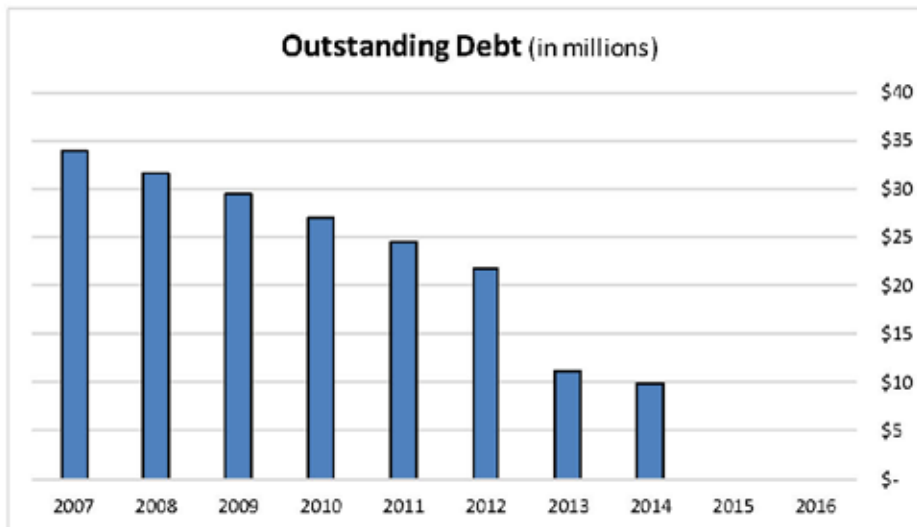
Outstanding Debt by Type and Debt Ratios FISCAL YEARS ENDED DECEMBER 31 (in thousands)

	2016	2015 ⁽²⁾	2014	2013 ⁽¹⁾	2012
Outstanding Debt per Series					
Series 1999A	\$ -	\$ -	\$ -	\$ -	\$ 9,670
Series 2003	-	-	385	1,105	1,795
Series 2007A	-	-	3,600	3,600	3,600
Series 2007B	-	-	5,975	6,415	6,835
Unamortized (discount) / premium	-	-	64	112	(17)
Total Outstanding Debt	\$ -	\$ -	\$ 10,024	\$ 11,232	\$ 21,883
Annual Debt Service					
Principal	\$ -	\$ 10,024	\$ 1,565	\$ 1,110	\$ 2,615
Interest	-	661	452	673	1,179
Total debt service	\$ -	\$ 10,685	\$ 2,017	\$ 1,783	\$ 3,794
Total enplaned passengers	997	993	1,038	1,085	1,148
Outstanding Debt/Enplaned Passenger	\$ -	\$ -	\$ 9.66	\$ 10.35	\$ 19.06
Debt Service/Enplaned Passenger	\$ -	\$ 10.76	\$ 1.94	\$ 1.64	\$ 3.30
Outstanding Debt/Personal Income (Metro)	\$ -	\$ -	\$ 251.35	\$ 276.53	\$ 566.89
Outstanding Debt/Per Capita (Metro)	\$ -	\$ -	\$ 13.84	\$ 15.65	\$ 32.15

Source: Airport audited financial statements

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

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



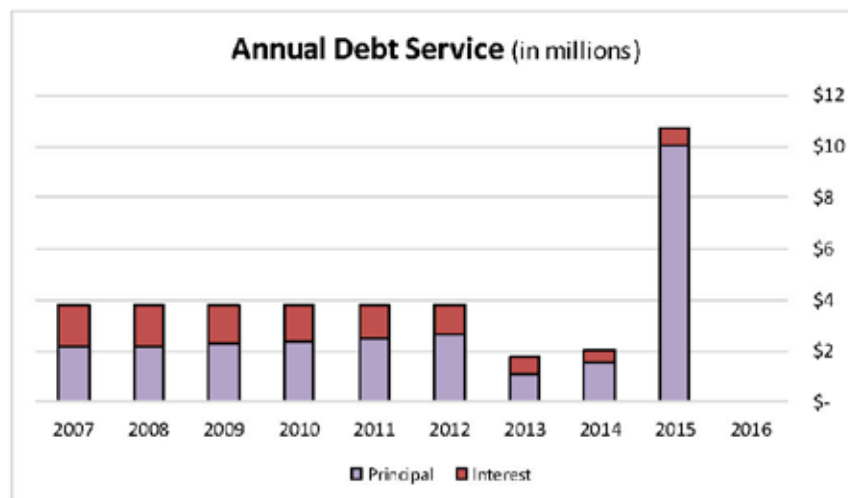
Outstanding Debt by Type and Debt Ratios FISCAL YEARS ENDED DECEMBER 31 (in thousands)

	2011	2010	2009	2008	2007
Outstanding Debt per Series					
Series 1999A	\$ 11,225	\$ 12,705	\$ 14,115	\$ 15,460	\$ 16,745
Series 2003	2,450	3,095	3,705	4,280	4,835
Series 2007A	3,600	3,600	3,600	3,600	3,600
Series 2007B	7,240	7,630	8,005	8,365	8,710
Unamortized (discount) / premium	(7)	-	17	45	92
Total Outstanding Debt	\$ 24,508	\$ 27,030	\$ 29,442	\$ 31,750	\$ 33,982
Annual Debt Service					
Principal	\$ 2,515	\$ 2,395	\$ 2,280	\$ 2,185	\$ 2,165
Interest	1,290	1,406	1,515	1,610	1,609
Total debt service	\$ 3,805	\$ 3,801	\$ 3,795	\$ 3,795	\$ 3,774
Total enplaned passengers	1,103	1,125	1,135	1,194	1,268
Outstanding Debt/Enplaned Passenger	\$ 22.22	\$ 24.03	\$ 25.94	\$ 26.59	\$ 26.80
Debt Service/Enplaned Passenger	\$ 3.45	\$ 3.38	\$ 3.34	\$ 3.18	\$ 2.98
Outstanding Debt/Personal Income (Metro)	\$ 664.25	\$ 732.28	\$ 786.32	\$ 866.33	\$ 984.30
Outstanding Debt/Per Capita (Metro)	\$ 34.90	\$ 39.07	\$ 43.18	\$ 47.29	\$ 51.35

Source: Airport audited financial statements

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

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



STATISTICAL SECTION



Revenue Bonds Debt Service Coverage FISCAL YEARS ENDED DECEMBER 31

	2016	2015 ⁽²⁾	2014	2013 ⁽¹⁾	2012
Net Revenues					
Operating revenues	\$ 32,873,009	\$ 31,237,770	\$ 30,648,296	\$ 30,628,890	\$ 29,021,283
Less: operating expenses	(20,114,901)	(21,380,293)	(20,101,509)	(19,844,695)	(17,714,241)
Plus: interest income	305,752	270,189	201,345	191,195	150,997
Net Revenues	\$ 13,063,860	\$ 10,127,666	\$ 10,748,132	\$ 10,975,390	\$ 11,458,039
Annual Debt Service					
Principal	\$ -	\$ 10,023,739	\$ 1,565,000	\$ 1,110,000	\$ 2,615,000
Interest	-	660,768	452,118	673,174	1,179,060
Total annual debt service	\$ -	\$ 10,684,507	\$ 2,017,118	\$ 1,783,174	\$ 3,794,060
Debt Service Coverage					
Revenue bond debt service coverage	-	-	5.33	6.15	3.02
Debt service coverage requirement	-	1.25	1.25	1.25	1.25
	2011	2010	2009	2008	2007
Net Revenues					
Operating revenues	\$ 27,522,515	\$ 25,309,837	\$ 23,323,313	\$ 24,786,792	\$ 21,909,030
Less: operating expenses	(16,294,439)	(15,967,690)	(15,363,485)	(16,804,299)	(15,572,022)
Plus: interest income	177,198	303,027	398,848	643,961	1,407,997
Net Revenues	\$ 11,405,274	\$ 9,645,174	\$ 8,358,676	\$ 8,626,454	\$ 7,745,005
Annual Debt Service					
Principal	\$ 2,515,000	\$ 2,395,000	\$ 2,280,000	\$ 2,185,000	\$ 2,165,000
Interest	1,290,040	1,406,040	1,514,759	1,609,664	1,608,896
Total annual debt service	\$ 3,805,040	\$ 3,801,040	\$ 3,794,759	\$ 3,794,664	\$ 3,773,896
Debt Service Coverage					
Revenue bond debt service coverage	3.00	2.54	2.20	2.27	2.05
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25

(1) FY 2013 excludes redemption of Series 1999A, \$9,670,000.

(2) In FY 2015, the Airport deposited \$8,785,480 in an irrevocable trust with an escrow agent to provide funds sufficient to defease all its remaining outstanding bonds.

STATISTICAL SECTION



Passenger Airline Daily Flights FISCAL YEARS ENDED DECEMBER 31

Airline	Gate	Destination	2016	2015	2014	2013	2012	2011	2010	2009
Allegiant Air	Gates 6 or 12	Orlando, FL (SFB)	0.3	0.3	0.3	0.3	-	-	-	-
		Los Angeles, CA (LAX)	0.1	0.1	-	-	-	-	-	-
American Airlines	Gates 1 & 3	Dallas, TX (DFW)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
		Chicago, IL (ORD)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Gate 8	Charlotte, NC (CLT)	3.0	3.0	-	-	-	-	-	-
	Gate 12	New York (LGA)	-	-	1.0	-	-	-	-	-
United Airlines	Gates 5, 6 & 7	Denver, CO (DEN)	3.0	3.0	2.0	1.0	1.0	1.0	1.0	1.0
		Chicago, IL (ORD)	3.0	3.0	3.0	2.0	-	-	-	-
		Houston, TX (IAH)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Delta Air Lines	Gates 2 & 4	Atlanta, GA (ATL)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
		Memphis, TN (MEM)	-	-	-	1.0	1.0	1.0	1.0	1.0
		Detroit, MI (DTW)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Frontier Airlines	Gate 9	Denver, CO (DEN)	-	-	-	0.4	0.4	-	-	-
GLO Airlines	Gate 12	New Orleans, LA (MSY)	2.0	2.0	-	-	-	-	-	-
		Destin, FL (VPS)	0.1	-	-	-	-	-	-	-
Southwest Airlines	Gates 10, 11 & 12	Dallas, TX (DAL)	3.0	3.0	3.0	6.0	6.0	6.0	6.0	6.0
		Chicago, IL (MDW)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Phoenix, AZ (PHX)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Houston, TX (HOU)	-	-	-	1.0	1.0	1.0	1.0	1.0
		Baltimore, MD (BWI)	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Las Vegas, NV (LAS)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Saint Louis, MO (STL)	2.0	-	-	-	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			44.5	43.4	41.3	44.7	43.8	42.4	42.0	42.0

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

Airport Operations FISCAL YEARS ENDED DECEMBER 31

Destination	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Air Carrier	20,208	20,341	20,146	19,183	20,942	19,382	19,867	23,519	24,680	27,913
Air Taxi	15,148	14,272	16,905	21,606	25,030	28,273	31,451	28,054	26,136	28,842
General Aviation	46,517	49,770	43,913	43,304	46,027	44,785	44,853	45,179	54,622	60,860
Military	19,342	14,656	9,470	12,571	17,662	19,330	18,822	35,664	21,622	23,229
	101,215	99,039	90,434	96,664	109,661	111,770	114,993	132,416	127,060	140,844

Source: FFA Air Traffic Reports

STATISTICAL SECTION



Airline Landed Weight Trend FISCAL YEARS ENDED DECEMBER 31 (lbs. in thousands)

	2016	2015	2014	2013	2012
Passenger Airlines					
Allegiant	13,980	15,375	12,512	8,669	-
American	341,037	276,207	310,988	278,309	268,929
Continental	-	-	-	-	38,550
Delta	318,579	298,884	289,556	302,377	291,676
Frontier	-	-	23,047	29,461	46,436
GLO Airlines	19,401	1,610	-	-	-
Northwest	-	-	-	-	-
Southwest	308,462	322,356	410,011	469,900	522,458
United	172,914	168,735	160,126	168,493	151,541
US Airways	-	54,521	82,903	95,171	104,672
Vision	-	-	242	600	242
Charter	3,585	2,262	1,160	774	-
	<u>1,177,958</u>	<u>1,139,950</u>	<u>1,290,545</u>	<u>1,353,754</u>	<u>1,424,504</u>
Cargo Airlines					
Airborne Express	-	-	-	-	-
Federal Express	-	-	-	-	-
UPS	137,282	135,529	134,957	135,167	134,333
	<u>137,282</u>	<u>135,529</u>	<u>134,957</u>	<u>135,167</u>	<u>134,333</u>
Total Landed Weights	<u>1,315,240</u>	<u>1,275,479</u>	<u>1,425,502</u>	<u>1,488,921</u>	<u>1,558,837</u>

STATISTICAL SECTION



	2011	2010	2009	2008	2007
Passenger Airlines					
Allegiant	-	-	-	-	-
American	265,125	283,636	315,937	281,066	327,354
Continental	101,133	89,529	74,355	86,779	91,838
Delta	296,782	284,581	276,642	214,076	241,480
Frontier	1,164	-	-	21,910	66,855
GLO Airlines	-	-	-	-	-
Northwest	-	5,175	114,567	145,613	159,557
Southwest	540,992	562,936	551,010	572,290	570,384
United	99,949	108,535	-	34,550	-
US Airways	76,258	72,011	69,765	74,388	75,158
Vision	8,228	-	-	-	-
Charter	-	-	548	124	780
	1,389,631	1,406,403	1,402,824	1,430,796	1,533,406
Cargo Airlines					
Airborne Express	-	-	-	15,389	23,495
Federal Express	-	-	1,511	2,839	811
UPS	134,846	132,302	137,393	138,762	154,665
	134,846	132,302	138,904	156,990	178,971
Total Landed Weights	1,524,477	1,538,705	1,541,728	1,587,786	1,712,377

Source: Monthly Airline Activity Reports

STATISTICAL SECTION



Enplaned Passenger Data FISCAL YEARS ENDED DECEMBER 31

Destination	2016	2015	2014	2013	2012
Allegiant Air	13,917	15,405	12,719	7,965	229
American Airlines	2,621	1,914	114,238	112,751	118,973
American Eagle	204,662	135,124	128,729	120,474	111,450
Mesa	10,711	84,598	1,890	-	-
Pacific Southwest (PSA)	63,556	16,388	-	-	-
Republic	-	64	1,418	-	-
Trans States - American	-	-	-	-	-
Continental Airlines	-	-	-	-	-
Continental Express	-	-	-	-	7,063
Colgan Air	-	-	-	-	26,599
Delta Airline	252,874	248,331	221,887	195,023	113,712
Atlantic Southwest	-	-	-	20,612	72,000
Chautauqua	-	-	-	50	39
ComAir	-	-	-	-	2,128
Compass	-	-	260	-	-
GO Jet	-	-	-	-	367
Express Jet - Delta	15,116	16,787	17,544	25,823	36,227
Freedom	-	-	-	-	-
Endeavor/Pinnacle	2,108	749	2,130	836	24,741
Shuttle America	181	258	35	130	-
Skywest - Delta	1,501	138	-	8	-
Frontier	-	-	20,363	26,139	39,339
GLO Airlines	7,586	338	-	-	-
Northwest Airlines	-	-	-	-	-
Compass	-	-	-	-	-
Mesaba	-	-	-	-	-
Pinnacle	-	-	-	-	-
Southwest Airlines	262,202	265,453	293,489	335,854	369,290
United Airlines	-	-	-	-	-
Express Jet - United	94,946	108,149	119,030	134,380	135,772
Mesa-United	9,712	-	-	-	-
Republic - United	64	47	-	-	-
Skywest - United	41,156	47,946	33,666	28,191	10,371
Trans States - United	12,529	2,956	-	-	-
US Airways	-	-	-	76,490	-
Mesa	-	-	41,787	-	27,254
Air Midwest/US Air Exp.	-	-	-	-	-
Air Wisconsin	-	-	1,091	-	7
Pacific Southwest (PSA)	-	47,462	23,841	-	31,180
Republic	-	-	3,531	-	21,144
Vision Airline	-	-	-	-	-
Charters	1,455	605	731	597	-
Total Enplanements	996,897	992,712	1,038,379	1,085,323	1,147,885

Source: Monthly Airline Activity Reports

STATISTICAL SECTION



Enplaned Passenger Data (continued) FISCAL YEARS ENDED DECEMBER 31

Destination	2011	2010	2009	2008	2007
Allegiant Air	-	-	-	-	-
American Airlines	78,550	-	-	-	-
American Eagle	137,449	230,299	270,910	254,794	287,299
Mesa	-	-	-	-	-
Pacific Southwest (PSA)	-	-	-	-	-
Republic	-	-	-	-	-
Trans States - American	-	-	-	-	24,479
Continental Airlines	160	-	-	-	-
Continental Express	59,398	95,757	98,377	113,290	110,038
Colgan Air	37,685	-	-	-	-
Delta Airline	98,353	79,541	1,392	58,809	69,592
Atlantic Southwest	121,290	124,738	135,530	92,200	65,449
Chautauqua	1,040	1,817	21,965	31,322	48,146
ComAir	3,723	7,461	1,812	1,601	5,216
Compass	76	4,448	6,957	-	-
GO Jet	-	-	-	-	-
Express Jet - Delta	-	-	-	-	-
Freedom	-	10,113	6,650	8,281	8,059
Endeavor/Pinnacle	23,874	28,245	37,549	-	-
Shuttle America	6	157	709	2,858	1,659
Skywest - Delta	4,981	-	9,762	837	17,714
Frontier	951	-	-	17,956	48,145
GLO Airlines	-	-	-	-	-
Northwest Airlines	-	3,759	65,218	94,173	96,234
Compass	-	-	-	7,626	-
Mesaba	-	-	-	-	71
Pinnacle	-	-	-	26,852	25,080
Southwest Airlines	374,747	391,882	363,697	384,920	392,383
United Airlines	-	-	-	8,678	11,832
Express Jet - United	76,040	10,694	-	28,420	-
Mesa-United	-	-	-	-	-
Republic - United	-	-	-	-	-
Skywest - United	9,111	70,897	60,018	-	-
Trans States - United	-	-	-	-	-
US Airways	129	-	-	-	-
Mesa	39,168	30,789	59	1,980	445
Air Midwest/US Air Exp.	34	-	-	1,596	4,134
Air Wisconsin	-	-	-	-	-
Pacific Southwest (PSA)	26,098	33,934	54,083	57,309	51,372
Republic	-	-	-	-	-
Vision Airline	9,635	-	-	-	-
Charters	241	172	318	-	350
Total Enplanements	1,102,739	1,124,703	1,135,006	1,193,502	1,267,697

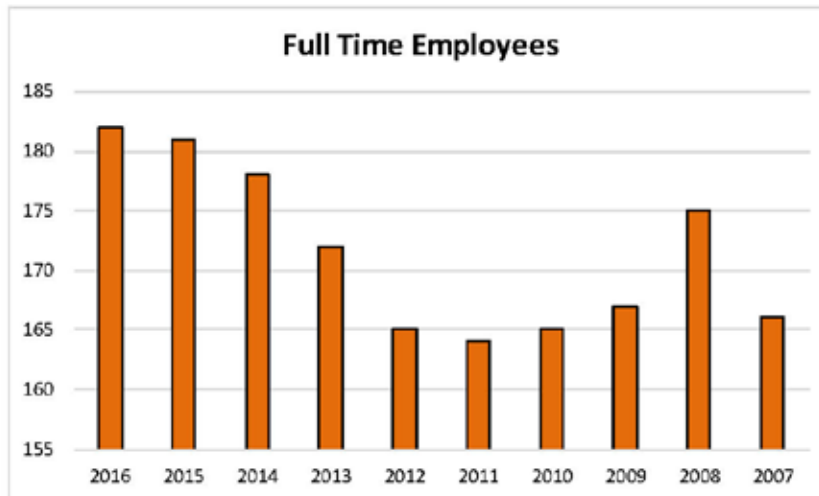
STATISTICAL SECTION



Employee Trend FISCAL YEARS ENDED DECEMBER 31

Department	2016	2015	2014	2013	2012	2011	2010
101	2	2	2	2	2	2	2
102	3	3	3	3	3	4	4
103	5	5	4	4	4	5	5
104	9	7	7	5	4	5	5
105	10	10	10	10	9	9	9
106	5	5	5	5	5	5	3
107	2	2	2	1	1	1	1
108	6	5	4	6	5	4	4
109	1	1	2	2	2	0	0
110	1	1	1	1	1	1	1
201	18	17	16	17	16	16	16
202	31	34	36	27	26	26	31
301	18	18	18	18	18	17	16
302	56	56	53	56	55	56	56
303	9	9	9	9	9	8	7
304	2	2	2	2	2	2	2
305	4	4	4	4	3	3	3
Total	182	181	178	172	165	164	165

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



Schedule of Capital Assets

FISCAL YEARS ENDED DECEMBER 31

(in thousands)

	2016	2015	2014	2013	2012
Land	\$ 67,409	\$ 66,183	\$ 63,988	\$ 61,795	\$ 63,363
Construction work in progress	20,388	9,237	9,290	15,137	85,833
Capital Assets not depreciated	87,797	75,420	73,278	76,932	149,196
Buildings and improvements	292,967	364,978	359,419	343,829	271,360
Equipment	19,550	20,593	19,850	19,337	12,792
Infrastructure	127,509	38,174	33,330	32,980	3,687
Capital assets depreciated	440,026	423,745	412,599	396,146	287,839
Less: accumulated depreciation	(194,031)	(175,081)	(160,818)	(147,202)	(135,542)
Net Capital Assets	\$ 333,792	\$ 324,084	\$ 325,059	\$ 325,876	\$ 301,493

	2011	2010	2009	2008	2007
Land	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480
Construction work in progress	64,821	60,116	65,814	20,630	11,107
Capital Assets not depreciated	102,301	97,596	103,294	58,110	48,587
Buildings and improvements	305,072	301,989	279,044	277,010	276,883
Equipment	11,630	9,052	8,267	8,479	7,700
Infrastructure	35,821	27,268	18,577	21,579	17,781
Capital assets depreciated	352,523	338,309	305,888	307,068	302,364
Less: accumulated depreciation	(151,199)	(140,562)	(130,556)	(120,829)	(112,280)
Net Capital Assets	\$ 303,625	\$ 295,343	\$ 278,626	\$ 244,349	\$ 238,691

	2016
Number of commercial runways	3
Number of commercial gates	12
Covered parking spaces (public)	851
Airport land area (approximately)	2200 acres

Little Rock Metro Population (Comparative Analysis) TEN-YEAR HISTORY (at January 1)

Year	U.S.	State	Metro
2016	323,127,513	2,988,248	731,612
2015	321,418,820	2,978,204	729,135
2014	318,857,056	2,959,373	724,335
2013	316,497,531	2,949,828	717,703
2012	314,112,078	2,938,506	710,759
2011	311,721,632	2,922,280	702,305
2010	309,647,057	2,896,843	691,903
2009	306,771,529	2,874,554	681,888
2008	304,093,956	2,848,650	671,441
2007	301,231,207	2,821,761	661,719

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	Metro
2016	392,664	121,552	18,102	10,189	71,645	117,460	731,612
2015	392,702	120,768	18,144	10,245	71,557	115,719	729,135
2014	391,536	119,390	18,046	10,344	70,834	114,185	724,335
2013	389,058	118,529	18,035	10,326	70,087	111,668	717,703
2012	386,862	116,293	17,957	10,386	69,410	109,851	710,759
2011	383,600	114,039	17,887	10,447	68,701	107,631	702,305
2010	380,053	110,813	17,751	10,443	67,481	105,362	691,903
2009	376,567	108,477	17,718	10,441	66,086	102,599	681,888
2008	373,403	105,637	17,483	10,496	64,379	100,043	671,441
2007	371,647	102,969	17,442	10,352	62,648	96,661	661,719

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
2016	\$ 48,112	\$ 38,252	\$ 41,062
2015	46,049	37,782	40,925
2014	44,438	36,529	39,880
2013	44,266	36,291	40,619
2012	42,453	33,961	38,602
2011	40,277	31,991	36,896
2010	39,376	31,629	36,912
2009	41,082	32,434	37,443
2008	39,821	31,180	36,649
2007	38,144	29,479	34,524

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	Faulkner	Grant	Perry	Lonoke	Saline	Metro
2016	\$ 45,862	\$ 34,235	\$ 34,323	\$ 31,935	\$ 35,413	\$ 37,360	\$ 41,062
2015	46,349	33,350	33,876	31,679	34,897	35,076	40,925
2014	45,080	32,344	32,870	30,813	34,506	35,196	39,880
2013	46,593	32,391	32,722	30,576	33,908	34,956	40,619
2012	43,719	31,419	31,756	29,763	32,739	33,849	38,602
2011	41,492	30,333	31,016	28,552	31,749	32,543	36,896
2010	41,809	29,729	29,809	27,313	31,637	32,331	36,912
2009	42,746	29,776	29,203	26,840	31,626	32,332	37,443
2008	42,089	28,965	29,062	25,299	30,651	30,833	36,649
2007	39,396	27,585	26,809	23,845	29,030	29,279	34,524

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
2016	5.3%	5.1%	4.7%
2015	6.2%	6.1%	5.5%
2014	7.4%	7.5%	6.8%
2013	8.1%	7.5%	6.7%
2012	8.9%	8.0%	7.0%
2011	9.6%	7.9%	7.0%
2010	9.3%	7.5%	6.4%
2009	5.8%	5.4%	4.6%
2008	4.6%	5.2%	4.5%
2007	4.6%	5.3%	4.7%

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	Faulkner	Grant	Perry	Lonoke	Saline	Metro
2016	4.7%	4.8%	4.7%	6.3%	4.3%	4.2%	4.7%
2015	5.6%	5.7%	5.6%	7.7%	5.2%	4.9%	5.5%
2014	6.9%	7.0%	6.8%	8.9%	6.4%	6.2%	6.8%
2013	6.9%	6.7%	6.7%	8.3%	6.3%	6.3%	6.7%
2012	7.2%	7.0%	7.2%	8.7%	6.8%	6.5%	7.0%
2011	7.1%	7.2%	7.0%	8.2%	6.7%	6.6%	7.0%
2010	6.4%	6.7%	6.8%	7.5%	6.0%	6.3%	6.4%
2009	4.6%	4.7%	5.1%	5.5%	4.4%	4.4%	4.6%
2008	4.7%	4.3%	4.9%	4.8%	4.3%	4.1%	4.5%
2007	4.9%	4.5%	5.0%	5.1%	4.3%	4.5%	4.7%

Source: State of Arkansas: Department of Workforce Services

Little Rock Principal Employers (Comparative Analysis) TEN-YEAR HISTORY (at January 1)

Employer	2016			2007		
	Rank	Employees	Percentage of Total	Rank	Employees	Percentage of Total
State of Arkansas	1	35,200	23%	1	23,377	15%
Local Government	2	26,500	17%	*	*	*
Federal Government	3	10,200	7%	2	12,000	8%
University of Arkansas for Medical Sciences	4	9,100	6%	3	8,500	6%
Baptist Health	5	6,590	4%	5	7,000	5%
Little Rock Air Force Base	6	4,500	3%	6	4,500	3%
Arkansas Children's Hospital	7	4,000	3%	*	*	*
Little Rock School District	8	3,500	2%	*	*	*
Central Arkansas Veterans Healthcare System	9	2,800	2%	10	2,785	2%
Entergy Arkansas	10	2,740	2%	9	2,862	2%
Public School Districts				4	8,434	6%
CHI St. Vincent				8	3,500	2%
Axiom				7	4,388	3%
		105,130	69%		77,346	52%

Source: Little Rock Chamber of Commerce

* - Data not available for 2007

Little Rock Demographic and Economic Statistics

Calendar Year	Population ^a	Personal Income ^b	Per Capita Personal Income	Unemployment Percentage Rate
2007	183,133	\$ 5,284,485,848	\$ 28,856	4.7%
2008	183,133	4,985,063,393	27,221	4.5%
2009	183,133	4,642,787,816	25,352	5.9%
2010	193,524	4,906,220,448	25,352	7.2%
2011	193,524	5,205,408,552	26,898	6.7%
2012	193,524	5,350,164,504	27,646	7.1%
2013	193,524	5,448,087,648	28,152	7.2%
2014	193,524	5,686,122,168	29,382	6.9%
2015	193,524	5,632,516,020	29,105	4.0%
2016	193,524	5,871,131,112	30,338	3.3%

^a Population of Little Rock, AR using 2000 Census and 2010 Census

2016 Population and Per Capita Personal Income, <https://www.census.gov/quickfacts/table/PST045216/0541000,00>

^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



BILL AND HILLARY
CLINTON
NATIONAL AIRPORT

Compliance Section Contents:

Independent Auditor's Single Audit Reports

Independent Auditor's Passenger Facility Charge Compliance Report

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Identifying Number	Total Federal Expenditures
U.S. Department of Transportation –	20.106	03-05-0035-81	\$ 258,994
Federal Aviation Administration/	20.106	03-05-0035-83	10,065,673
Airport Improvement Program	20.106	03-05-0035-84	263,658
	20.106	03-05-0035-85	1,686,503
	20.106	03-05-0035-86	352,276
Total expenditures of federal awards			<u>\$ 12,627,104</u>

Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Bill and Hillary Clinton National Airport (Airport) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport, it is not intended to and does not present the financial position, results of its operations, changes in net position or cash flows of the Airport.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Airport has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Airport provided no federal awards to subrecipients.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Bill and Hillary Clinton National Airport (Airport), a component unit of the City of Little Rock, Arkansas, which comprise the statement of net position as of December 31, 2016, 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 financial statements, and have issued our report thereon dated May 22, 2017.

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. 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

Indianapolis, Indiana
May 22, 2017



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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 Bill and Hillary Clinton National Airport's (Airport) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport's major federal program for the year ended December 31, 2016. The Airport's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on a Major Federal Program

In our opinion, Bill and Hillary Clinton National Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

BKD, LLP

Indianapolis, Indiana

May 22, 2017

Schedule of Findings and Questioned Costs (continued) YEAR ENDED DECEMBER 31, 2016

7. The Airport's major program was:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106

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

9. The Airport qualified as a low-risk auditee? Yes No

Schedule of Findings and Questioned Costs (continued) YEAR ENDED DECEMBER 31, 2016

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

COMPLIANCE SECTION



Summary Schedule of Prior Audit Findings YEAR ENDED DECEMBER 31, 2016

Reference Number	Summary of Finding	Status
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No matters are reportable.

Schedule of Passenger Facility Charge Collections and Expenditures YEAR ENDED DECEMBER 31, 2016

	Date Approved	Amount Approved for Use	Quarter Ended					Cumulative Total – December 31, 2015	Year Ended December 31, 2016	Cumulative Total – December 31, 2016
			March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	December 31, 2016			
Collections										
Passenger facility charge collections received			\$ 932,400	\$ 1,046,594	\$ 979,726	\$ 869,404	\$ 3,828,124	\$ 3,828,124	\$ 91,831,475	
Interest earned			19,618	19,008	20,248	19,388	78,262	78,262	6,911,117	
Total passenger facility charge collections			\$ 952,018	\$ 1,065,602	\$ 999,974	\$ 888,792	\$ 3,906,386	\$ 3,906,386	\$ 98,742,592	
Expenditures										
Applications closed prior to 2015	Various	\$ 37,094,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,094,053	
Application 06-05	1/31/2006	6,284,571	-	-	-	-	-	-	4,440,722	
Application 07-06	2/27/2007	38,428,622	-	-	-	-	-	-	36,423,686	
Application 10-07	1/5/2010	9,595,910	975,001	650,001	-	-	-	1,625,002	5,991,745	
Application 15-08	5/11/2015	4,601,120	375,000	250,000	-	-	-	625,000	775,000	
Application 16-09	5/26/2016	18,142,435	-	-	-	4,214,576	4,214,576	4,214,576	4,214,576	
Total passenger facility charge revenue expended		\$ 114,146,711	\$ 1,350,001	\$ 900,001	\$ -	\$ 4,214,576	\$ 6,464,578	\$ 6,464,578	\$ 88,939,782	

Note to Schedule:

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 than when earned and eligible expenditures are recognized when the related goods or services are provided or incurred. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PFC expenditures may consist of direct project costs, administrative costs, debt service and bond financing costs, as applicable to active applications. The accompanying schedule of PFC collections and expenditures includes eligible expenditures that have been applied against PFCs collected as of December 31, 2016.



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

Independent Auditor's Report

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

Report on Compliance for Passenger Facility Charge Program

We have audited Bill and Hillary Clinton National Airport's (Airport) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide) issued by the Federal Aviation Administration that could have a direct and material effect on the passenger facility charge program for the year ended December 31, 2016.

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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

BKD, LLP

Indianapolis, Indiana
May 22, 2017

COMPLIANCE SECTION



Passenger Facility Charge and Audit Summary YEAR ENDED DECEMBER 31, 2016

Summary of Auditor's Results

- | | | | |
|--|--|------------------------------------|---|
| 1. Type of report issued on PFC financial statements. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 2. Type of report on PFC compliance. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 3. Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported unliquidated revenue matches actual amounts. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 4. PFC revenue and interest is accurately reported on FAA Form 5100-127. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> 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. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 10. Quarterly reports were transmitted (or available via website) to remitting carriers. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 13. Program administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> 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. | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |

Schedule of Findings and Questioned Costs YEAR ENDED DECEMBER 31, 2016

Findings Required to be Reported by the Guide

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Summary Schedule of Prior Audit Findings YEAR ENDED DECEMBER 31, 2016

Reference Number	Summary of Finding	Status
No matters are reportable.		