

**Rhode Island Airport
Corporation (A Component
Unit of the State of Rhode
Island)**

Financial Report
June 30, 2015

Contents

Independent Auditor's Report	1-2
------------------------------	-----

Management's Discussion and Analysis - unaudited	3-18
--	------

Financial Statements	
Statements of net position	19
Statements of revenues, expenses and changes in net position	20
Statements of cash flows	21-22
Notes to financial statements	23-49

Required Supplementary Information - unaudited	
Schedule of RIAC's proportionate share of the net pension liability	50
Schedule of RIAC's contributions - Employee's retirement system	50

Supplementary Information	
State of Rhode Island Presentation - Statement of net position - Attachment A	51
State of Rhode Island Presentation - Statement of activities - Attachment B	52
State of Rhode Island Presentation - Schedule of maturities - bonds - Attachment C	53
State of Rhode Island Presentation - Schedule of maturities – note payable - Attachment C-1	54
State of Rhode Island Presentation - Schedule of maturities – TIFIA payable - Attachment C-2	55
State of Rhode Island Presentation - Schedule of changes in long-term debt - Attachment D	56
Schedule of travel and entertainment expenses	57

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 <i>Government Auditing Standards</i>	58-59
---	-------

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors
Rhode Island Airport Corporation
Warwick, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes thereto, which collectively comprise the RIAC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

RIAC's 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 RIAC'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 reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Airport Corporation as of June 30, 2015 and 2014, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, which resulted in the Agency restating net position for recognition of the Agency's pension related activity incurred prior to July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3–18, the schedule of RIAC's proportionate share of the net pension liability and the schedule of RIAC's contributions to the employee retirement system on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIAC's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplemental information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 30, 2015 and September 29, 2014 on our consideration of RIAC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of these reports 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 internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control over financial reporting and compliance.



New Haven, Connecticut
September 30, 2015

Management's Discussion and Analysis - unaudited

INTRODUCTION

The following Management's Discussion & Analysis (MD&A) of the Rhode Island Airport Corporation (RIAC) serves as an introduction and overview to the reader of the audited financial statements for the fiscal years ended June 30, 2015 and June 30, 2014. The information contained in the MD&A should be considered in conjunction with the audited financial statements.

RIAC engages in business-type activities, that is, activities that are financed in whole or in part by charges to external entities for goods or services rendered. As a result, RIAC's basic financial statements include the statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to financial statements. These basic financial statements are designed to provide readers with a broad overview of RIAC's finances in a manner similar to that in the private sector.

RHODE ISLAND AIRPORT CORPORATION

RIAC was created by the Rhode Island Commerce Corporation (Commerce RI), (formerly the Economic Development Corporation) on December 9, 1992 as a public corporation, governmental agency and public instrumentality, having a distinct legal existence from the State of Rhode Island (State) and Commerce RI, having many of the same powers and purposes as Commerce RI. RIAC is a component unit of the State. RIAC is empowered, pursuant to its Articles of Incorporation and Rhode Island law, to undertake the planning, development, management, acquisition, ownership, operation, repair, construction, reconstruction, rehabilitation, renovation, improvement, maintenance, development, sale, lease, or other disposition of any "airport facility", as defined in Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"). "Airport facility" is defined in the Act in part as "developments consisting of runways, hangars, control towers, ramps, wharves, bulkheads, buildings, structures, parking areas, improvements, facilities, or other real or personal property, necessary, convenient, or desirable for the landing, takeoff, accommodation, and servicing of aircraft of all types, operated by carriers engaged in the transportation of passengers or cargo, or for the loading, unloading, interchange, or transfer of the passengers or their baggage, or the cargo, or otherwise for the accommodation, use or convenience of the passengers or the carriers or their employees (including related facilities and accommodations at sites removed from landing fields or other areas), or for the landing, taking off, accommodation, and servicing of aircraft owned or operated by persons other than carriers".

Pursuant to the State Lease Agreement, RIAC leases T.F. Green Airport (Airport) and the five general aviation airports (collectively, Airports) from the State for a term ending June 30, 2038 at a rental of \$1.00 per year. RIAC has also acquired all of the personal property and other assets of the State located at or relating to the Airports. In consideration of RIAC's assumption of the Rhode Island Department of Transportation's (RIDOT) responsibilities with respect to the Airports, the State and RIDOT have assigned to RIAC all of their rights to the revenues of the Airports, the proceeds of State General Obligation (GO) Bonds related to the Airports, Federal Aviation Administration (FAA) grant agreements, a Federal Highway Administration grant, insurance proceeds, all contracts including concession agreements and the prior airline agreements, and all licenses and permits.

RIAC operates on a fiscal year basis beginning on July 1st and continuing through the following June 30th of each year. RIAC was created to operate as a self-sustaining entity and receives no funds from the State's General Fund for the operation and maintenance of any of the Airports under its jurisdiction. RIAC has utilized State GO Bonds issued on behalf of RIAC for the intended use at the Airports. Per the Lease Agreement, RIAC is obligated to repay to the State the principal and interest on any GO Bonds issued for airport purposes.

RIAC does not have the authority to issue bonds, notes, or to borrow money without the approval of Commerce RI. In addition, RIAC does not have the power of eminent domain with respect to real property. RIAC does have certain contractual rights under the Lease Agreement to require the State to exercise powers of eminent domain for the benefit of RIAC.

The Board of Directors of RIAC, consisting of seven members, annually approves an operating and maintenance budget, as well as a capital budget for the fiscal year. The Board of Directors relies upon the advice and recommendation of RIAC's Finance & Audit Committee, which consists of three members of the full Board of Directors.

T.F. GREEN AIRPORT

RIAC operates T. F. Green Airport, which is Rhode Island's only certified Part 139 commercial airport. The Airport is primarily an origin-destination airport. In recent years, approximately 96% of the passengers at the Airport either began or ended their journeys at the Airport.

The terminal complex, including access roads and related improvements, was completed in September 1996 and replaced the prior terminal which was demolished. The terminal building is named the Bruce Sundlun Terminal at T.F. Green Airport (Terminal). The Terminal, at the time of its opening, was a two-level facility of approximately 302,000 square feet, including fifteen jet gates and one commuter gate. In 1998, the Terminal was expanded to add four new jet gates and one new commuter gate. As a result of the expansion, the Terminal space increased to approximately 350,000 square feet with a capacity of nineteen jet gates and two commuter gates for a total of twenty-one gates.

The Terminal has passenger concourses that extend to the north and south of the central terminal area. Facilities for departing passengers are located on the second level where ticket counters, baggage checks, departure lounges and concessions (such as restaurants and news/gift stands) are located. On the second level, passengers pass through the central terminal area and then through the security checkpoint. From there, departing passengers take the concourse to the appropriate hold room and gate. Arriving international passengers utilize a Federal Inspection Services (FIS) Facility, which is conveniently located on the first level of the Terminal.

A major terminal improvement project at the Airport was completed in 2008 to minimize congestion, ease circulation, improve security procedures, and enhance concessions. The expansion and improvement project increased the Terminal to approximately 402,000 square feet. As of June 30, 2015, airlines serving the Airport lease approximately 82,000 square feet of exclusive and preferential use area and approximately 61,000 square feet of common use area.

A total of approximately 9,740 public parking spaces are available on Airport property and/or leased space. They are divided as follows: a short-term lot in front of the Terminal (Lot D) with approximately 420 spaces; a parking garage with approximately 1,500 spaces (Garage A); a garage with 720 spaces (Garage B); a leased garage with approximately 1,540 spaces (Garage C); and an express lot with approximately 4,360 spaces with an additional overflow capacity of 1,200 spaces that can be put into service, if needed (Lot E). Garage A, Garage B, Garage C, Lot D and Lot E (RIAC controlled parking facilities) are operated pursuant to a parking management agreement with SP Plus Corporation, formerly Standard Parking Corporation.

RIAC leased Garage C from New England Parking, LLC in December 2007 for a ten-year term through November 30, 2017. Per the terms of the lease agreement, RIAC is responsible for all Garage C operations and maintenance costs and for the collection of all revenues from Garage C.

Public vehicular access is provided by a roadway system that directs vehicular traffic from Post Road and Interstate Route 95 to the Terminal curbs. These roads connect to a dual-level curbs system accommodating arriving and departing passengers. When approaching the Terminal, the roadway divides into an upper level for departing passengers and a lower level for arriving passengers. The upper level includes a curbs to provide an unloading area for private vehicles, taxis, limousines, rental car companies and hotel shuttles. The lower level roadway includes a curbs designated as loading zones for private vehicles and various commercial vehicles such as buses, courtesy vans, taxis and limousines.

The present airfield configuration consists of two intersecting runways, Runway 5/23 and Runway 16/34. Other facilities at the Airport include: fuel storage areas, facilities for fixed base operators, certain rental car service facilities, air freight and air cargo facilities, various hangars and other aviation-related facilities.

Air Carriers Serving the Airport

As of June 2015, the Airport has scheduled passenger service provided by five mainline carriers, twelve affiliate carriers and one regional carrier. Two airlines provide international service and two airlines provide all-cargo service.

AIRLINES SERVING THE AIRPORT

Mainline Carriers (5)

Delta Air Lines
JetBlue Airways
Southwest Airlines
United Airlines
US Airways

Doing Business As:

Affiliate Carriers (12)

Air Wisconsin Airlines
Chautauqua
Commutair
Endeavor Air
ExpressJet
Mesa Airlines
Piedmont Airlines
PSA Airlines
Republic Airlines
Shuttle America
SkyWest Airlines
Trans States Airlines

US Airways Express
United Express
United Express
Delta Connection
Delta Connection and United Express
United Express and US Airways Express
US Airways Express
US Airways Express
United Express and US Airways Express
Delta Connection
United Express
United Express

Regional Carriers (1)

Cape Air¹

International Carriers (2)

Condor Airlines
TACV – Cabo Verde Airlines

All Cargo Carriers (2)

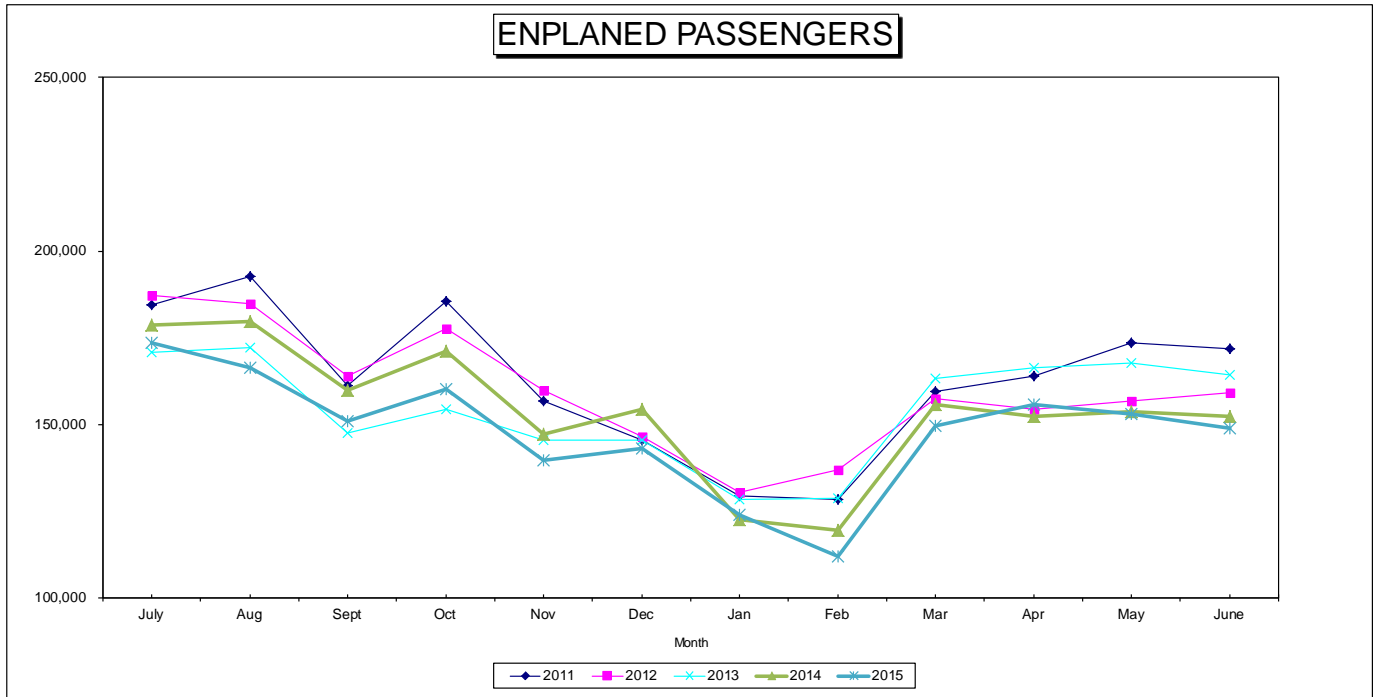
Federal Express
United Parcel Service

¹ Cape Air offers seasonal service to Martha's Vineyard, Nantucket, Hyannis, and Block Island.

Historical Enplanement Data

T.F. Green Airport was ranked as the 64th busiest airport in the country for calendar year 2014 according to the latest published data produced by the FAA. This compares with rankings of the 63rd busiest for calendar years 2013, 2012, 2011 and 2010.

Actual enplaned passengers for fiscal year 2015 were 69,752 below 2014, resulting in a decrease of 3.8%. The following chart and table depict the historical trend of enplaned passenger traffic at T. F. Green Airport for the fiscal years 2011 through 2015.



Fiscal Year	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
2011	184,400	192,516	161,065	185,570	156,605	145,430	129,441	128,318	159,394	163,786	173,426	171,629	1,951,580
2012	187,246	184,841	164,003	177,584	159,746	146,565	130,457	136,917	157,438	154,185	156,691	159,155	1,914,828
2013	170,796	172,279	147,423	154,347	145,382	145,532	128,330	128,570	163,092	166,199	167,634	164,121	1,853,705
2014	178,596	179,641	159,663	171,029	147,271	154,351	122,631	119,391	155,781	152,164	153,547	152,111	1,846,176
2015	173,439	166,445	150,781	160,156	139,755	142,882	123,774	112,016	149,680	155,611	153,002	148,883	1,776,424

Airport Use and Lease Agreements

RIAC established Signatory Airline Agreements with Delta Airlines, Federal Express Corporation (FedEx), JetBlue Airways, Southwest Airlines, United Airlines, United Parcel Service Co. (UPS), and US Airways. Affiliates of Signatory Airlines operate under the terms and conditions of the Signatory Airline Agreements. Cape Air, Condor Airlines, and TACV – Cabo Verde Airlines executed Non-Signatory Agreements. Condor Airlines has regularly scheduled seasonal service to Frankfurt, Germany. TACV – Cabo Verde Airlines has regularly scheduled year-round nonstop service to Praia, Cabo Verde.

The term of the Signatory Airline Agreement extends through June 30, 2015, which may be extended for a five-year renewal period by mutual written agreement. A Cost Center Residual Rate Methodology is utilized to establish the Landing Fee and Apron Rental Rates. The Terminal Rental Rate Methodology is Commercial Compensatory. A Majority-in-Interest approval is not required for Capital Improvement Projects. The Signatory Agreement incorporates an Airline Net Revenue Sharing methodology for Signatory Passenger Airlines. Distribution of each Signatory Passenger Airline's portion of the revenue-sharing is based on enplanements. Under this process, RIAC retains the first \$1 million and the Signatory Passenger Airlines share the next \$600,000. If there are remaining funds after the \$1.6 million, the Signatory Airlines share 40% and RIAC retains 60%. Non-Signatory Airlines' landing fees, apron fees and terminal rental rates are 125% of the Signatory Airlines' rates.

GENERAL AVIATION AIRPORTS

There are five General Aviation Airports operated by RIAC, each of which is managed pursuant to a Management Contract by and between RIAC and AFCO AvPORTS Management LLC (AvPORTS). Each of these airports is briefly described below:

North Central Airport

Located approximately fifteen miles north of the Airport, North Central Airport is classified as a reliever airport by the FAA and is located in Smithfield.

Quonset Airport

This airport is located in North Kingstown, approximately ten miles south of the Airport. The Rhode Island Air National Guard moved its operations from the Airport to Quonset Airport in 1986. The Rhode Island Army National Guard also maintains a presence at Quonset Airport. Quonset Airport has additional industrial facilities, which are leased to several companies by the Quonset Development Corporation (QDC), a subsidiary of the RICC. Quonset Airport is classified by the FAA as a reliever airport.

Westerly Airport

This airport is located in Westerly, approximately thirty-five miles southwest of the Airport. Westerly Airport is classified as a commercial service airport and enplanes approximately 10,000 commuter passengers annually.

Newport Airport

This airport is located in Middletown, approximately seventeen miles southeast of the Airport. Newport Airport is classified as a general aviation airport.

Block Island Airport

Situated on Block Island, just off the southern coast of Rhode Island, Block Island Airport is approximately twenty-five miles from the Airport. Block Island Airport is classified as a commercial service airport and enplanes approximately 10,000 commuter passengers annually.

FINANCIAL STATEMENTS

RIAC's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). RIAC is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets, except land, are capitalized and depreciated over their useful lives. During fiscal year 2015, RIAC implemented GASB Statement No. 68. As a result of this adoption, RIAC restated its fiscal year 2015 beginning net position by a reduction of \$2,000,248. During fiscal year 2014, RIAC implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, RIAC restated its fiscal year 2013 beginning net position by a reduction of \$2,731,669. See the notes to the financial statements for a summary of RIAC's significant accounting policies.

The statement of net position presents information on all of RIAC's assets and liabilities with the difference between the assets, deferred outflows, liabilities and deferred inflows reported as net position. Over time, increases or decreases in RIAC's net position may serve as a useful indicator of whether the financial position of RIAC is improving or deteriorating. However, non-financial factors should also be considered when evaluating RIAC's financial position. The statement of revenues, expenses and change in net position presents information on how RIAC's net position changed during the year.

SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	2015	2014	2013 (as restated)
Operating Revenues	\$ 53,522,825	\$ 51,543,597	\$ 50,320,381
Operating Expenses	(51,075,494)	(50,051,137)	(48,409,778)
Operating Income (before InterLink)	2,447,331	1,492,460	1,910,603
InterLink, Net Operating Income	1,698,634	1,318,219	1,520,012
Operating Income	4,145,965	2,810,679	3,430,615
Non-operating Revenues (Expenses), net	(3,493,293)	(4,903,710)	(5,092,440)
InterLink Non-operating Revenues (Expenses), net	(4,470,175)	(4,526,346)	(4,525,273)
Non-operating Revenues (Expenses), total	(7,963,468)	(9,430,056)	(9,617,713)
Income/(Loss) before Capital Contributions	(3,817,503)	(6,619,377)	(6,187,098)
Capital Contributions, net	30,757,179	9,428,844	6,427,035
Change in Net Position	\$ 26,939,676	\$ 2,809,467	\$ 239,937

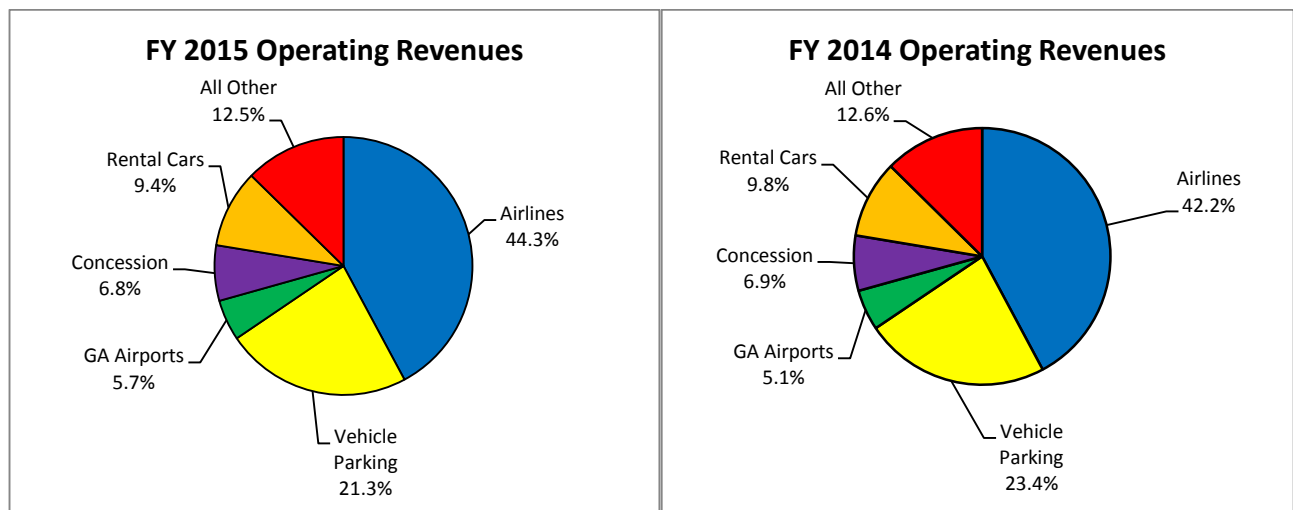
FINANCIAL POSITION SUMMARY

	2015	2014	2013 (as restated)
ASSETS			
Current assets	\$ 86,188,598	\$ 77,747,754	\$ 90,179,288
Noncurrent assets	40,383,787	57,538,650	52,732,047
Capital assets, net	557,450,743	523,324,256	512,824,594
Total assets	684,023,128	658,610,660	655,735,929
DEFERRED OUTFLOWS	4,953,328	5,388,304	5,827,447
LIABILITIES			
Current liabilities	34,104,275	36,236,827	29,411,390
Long-term obligations	327,373,414	325,375,583	332,574,899
Total liabilities	361,477,689	361,612,410	361,986,289
DEFERRED INFLOWS	172,785	-	-
NET POSITION			
Invested in capital assets, net of related debt	247,477,611	212,904,767	204,462,352
Restricted	39,487,513	44,099,191	47,378,971
Unrestricted	40,360,858	45,382,596	47,735,764
TOTAL NET POSITION	\$327,325,982	\$302,386,554	\$299,577,087

OPERATING REVENUES

The following chart shows the major sources and the percentage of total operating revenues for the fiscal years ended June 30, 2015, 2014 and 2013.

	2015	% of Total Revenues	2014	% of Total Revenues	2013	% of Total Revenues
OPERATING REVENUES						
Passenger Airlines	\$ 23,728,317	44.3%	\$ 21,729,795	42.2%	\$ 21,317,607	42.4%
Vehicle Parking	11,399,673	21.3%	12,040,693	23.4%	11,449,590	22.8%
Rental Cars	5,035,153	9.4%	5,028,966	9.8%	5,111,211	10.2%
Concession	3,628,352	6.8%	3,580,285	6.9%	3,450,387	6.9%
General Aviation Airports	3,051,988	5.7%	2,640,881	5.1%	2,485,396	4.9%
Tiedowns, Hangar & Miscellaneous	1,263,654	2.4%	1,265,054	2.5%	1,332,575	2.6%
Other Revenues	1,071,578	2.0%	998,263	1.9%	892,679	1.8%
Non-Airline Rent	1,031,437	1.9%	1,050,744	2.0%	1,018,420	2.0%
General Aviation & Cargo	904,241	1.7%	804,559	1.6%	756,768	1.5%
Fuel Flowage Fees	877,977	1.6%	900,432	1.7%	1,028,787	2.0%
Rental Revenues - Airport Support	824,971	1.5%	844,285	1.6%	837,693	1.7%
Off Airport Courtesy Fees	705,484	1.3%	659,640	1.3%	639,268	1.3%
TOTAL OPERATING REVENUES	\$ 53,522,825	100.0%	\$ 51,543,597	100.0%	\$ 50,320,381	100.0%



Overall revenues for fiscal year 2015 and 2014 increased by approximately \$1.979 million and \$1.223 million, respectively. The following commentary includes revenue categories greater than 5% of total revenues and other line items to provide additional information.

Passenger Airline revenues for fiscal year 2015 increased by approximately \$1.9 million over fiscal year 2014 primarily due to the inclusion of debt service related to the Deicer Management System into the airline rate base. Passenger Airline revenues for fiscal year 2014 increased over fiscal year 2013 by approximately \$412 thousand. Passenger Airline revenues include landing fees, terminal rentals, and apron rentals, net of an airline net revenue share. Passenger Airline revenue divided by fiscal year enplanements results in the Airport's Cost Per Enplanement (CPE). The calculated CPE's for fiscal years 2015, 2014, and 2013 are \$13.36, \$11.77, and \$11.50, respectively.

Fiscal year 2015 Vehicle Parking revenues decreased by approximately \$641 thousand from fiscal year 2014 as a result of declines in passenger traffic at the Airport and a customer relocating its employee parking from an Airport parking facility to the InterLink parking garage. Vehicle Parking revenues for fiscal year 2014 increased by \$591 thousand over fiscal year 2013 as a result of parking rate adjustments and programs to maximize the use of Airport parking facilities.

Rental Car revenues for fiscal year 2015 increased by approximately \$6 thousand over fiscal year 2014 as a result of scheduled rent increases per the terms of the rental car agreements, offset by the impact of declines in passenger traffic at the Airport. Rental Car revenues decreased by approximately \$82 thousand from fiscal year 2013. These revenues include RIAC's share of rental car transactions and space rentals at the Airport.

Concession revenues for fiscal years 2015 and 2014 increased by approximately \$48 thousand and \$130 thousand, respectively, as a result of scheduled increases per the terms of concessionaire agreements. Included in this category are revenues from food, retail, and advertising concessionaires at the Airport.

General Aviation Airports revenues increased by \$411 thousand and \$155 thousand in fiscal years 2015 and 2014, respectively, due to increased building and office rental, hangar rental, and fuel revenues at Quonset and North Central Airports and increased fuel revenues at Newport Airport.

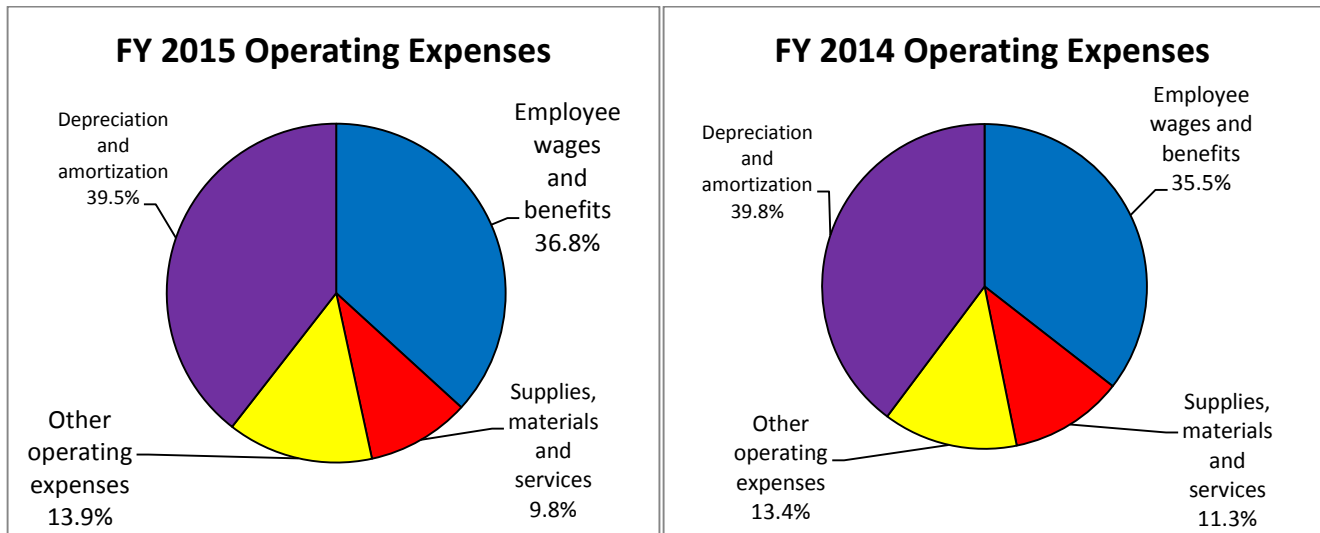
Other Revenues for fiscal years 2015 and 2014 increased by approximately \$73 thousand and \$106 thousand respectively. The increase in fiscal year 2015 is primarily due to increased utility reimbursement revenues and operating grant revenue. The increase in fiscal year 2014 is due to the receipt of FEMA grants received related to weather events. Included in this line item are operating grant revenues, utility reimbursements, aircraft registration fees and audit recoveries.

Rental Revenues – Airport Support Fund for fiscal year 2015 decreased by \$19 thousand from fiscal year 2014. Rental Revenues increased by \$7 thousand over fiscal year 2013. These revenues are for rental fees on certain revenue-producing parcels located at Quonset State Airport.

OPERATING EXPENSES

The following chart illustrates major categories of operating expenses for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	% of Total Operating Expenses	2014	% of Total Operating Expenses	2013 (as restated)	% of Total Operating Expenses
OPERATING EXPENSES						
Employee wages and benefits	\$ 18,784,262	36.8%	\$ 17,778,912	35.5%	\$ 17,223,123	35.6%
Supplies, materials and services	5,022,358	9.8%	5,655,282	11.3%	5,289,322	10.9%
Other operating expenses	7,110,752	13.9%	6,711,564	13.4%	5,825,550	12.0%
Depreciation and amortization	20,158,122	39.5%	19,905,379	39.8%	20,071,783	41.5%
TOTAL OPERATING EXPENSES	<u>\$ 51,075,494</u>	100.0%	<u>\$ 50,051,137</u>	100.0%	<u>\$ 48,409,778</u>	100.0%



Employee wages and benefits for fiscal years 2015 and 2014 increased by \$1.005 million and \$556 thousand, respectively, over prior year amounts. The increase in fiscal year 2015 is primarily due to overtime for snow removal, increased medical insurance costs and the scheduled increase in employee wages. The increase in fiscal year 2014 is primarily due to the increase in the employer match to the Money Purchase Pension Plan and the scheduled increase in employee wages.

Supplies, materials, and services decreased by \$633 thousand from prior year amounts primarily due to reduced costs for glycol maintenance contract services as the new Deicer Management System was operational in fiscal year 2015. Fiscal year 2014 expense increased by \$366 thousand over prior year amounts primarily due to increased supplies and repair costs. Included in this line item are contracted maintenance, outside services, professional fees and supplies.

Other operating expenses for fiscal years 2015 and 2014 increased by \$399 thousand and \$886 thousand, respectively, over prior year amounts. The increase in fiscal year 2015 is a result of increased utility costs and increased airline advertising expense. The increase in fiscal year 2014 is primarily due to increased utility and fuel costs. Included in this line item are utilities, maintenance agreements, insurance and advertising.

INTERLINK OPERATIONS

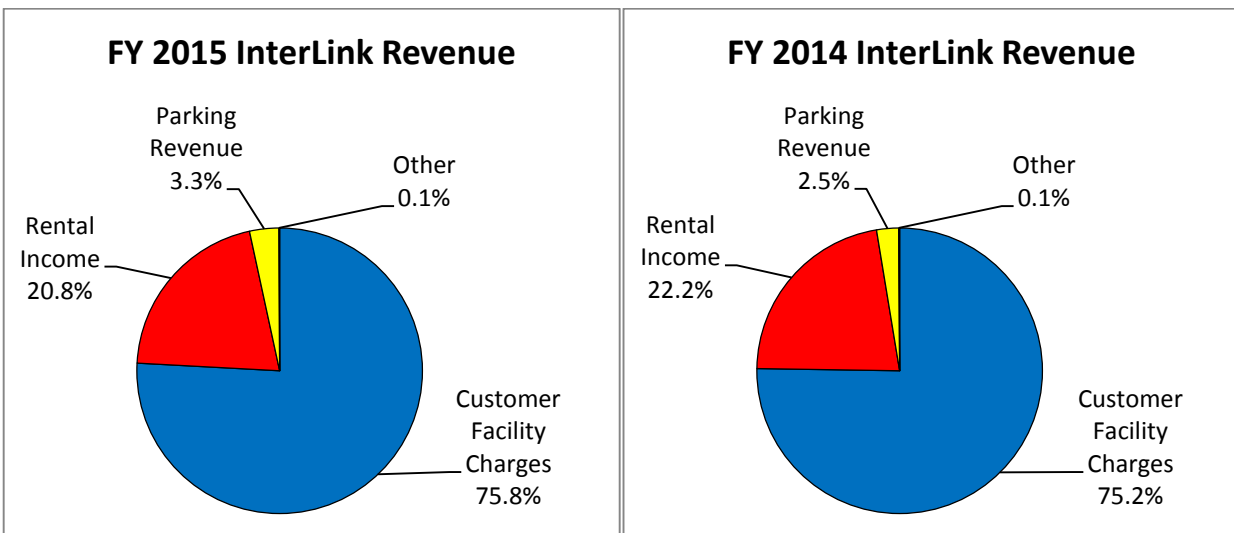
Net Income for the InterLink is recorded as Operating Revenue in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, and Net Parking Revenues. Operating Expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest Expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds and the US Department of Transportation's (USDOT's) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and is shown after Nonoperating revenues/expenses in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Interest Income on accounts associated with the InterLink is also included in this line item.

A breakdown of the net income/(loss) from the InterLink Facility is as follows:

	2015	2014	2013
Facility revenues	\$ 7,811,008	\$ 7,261,224	\$ 7,395,035
Operating and maintenance expense	1,553,372	1,383,646	1,264,155
InterLink operating income before depreciation and amortization	6,257,636	5,877,578	6,130,880
Depreciation and amortization	4,559,002	4,559,359	4,610,868
Operating income	1,698,634	1,318,219	1,520,012
Interest expense	(4,495,513)	(4,533,513)	(4,549,014)
Interest income	25,338	7,167	23,741
Net (loss)/income InterLink Facility	\$ (2,771,541)	\$ (3,208,127)	\$ (3,005,261)

The following chart illustrates the categories of InterLink Facility Revenues for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	% of Total Facility Revenues	2014	% of Total Facility Revenues	2013	% of Total Facility Revenues
Facility Revenues						
Customer Facility Charges	\$ 5,925,006	75.8%	\$ 5,463,755	75.2%	\$ 5,721,359	77.4%
Rental Income	1,621,065	20.8%	1,609,050	22.2%	1,596,332	21.5%
Parking Revenue	258,906	3.3%	180,700	2.5%	71,289	1.0%
Other	6,031	0.1%	7,719	0.1%	6,055	0.1%
Total Facility Revenues	<u>\$ 7,811,008</u>	100.0%	<u>\$ 7,261,224</u>	100.0%	<u>\$ 7,395,035</u>	100.0%



Additional information on the InterLink operations may be found in the notes to the financial statements.

CUSTOMER FACILITY CHARGES

Since July of 2001, RIAC has been collecting CFCs per transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Airport in anticipation of the construction of a consolidated car rental facility to be located on, or near, Airport property. Effective April 1, 2014, the CFC rate was increased to \$6.00 from \$5.50 per eligible transaction day. The authority to collect Customer Facility Charges is pursuant to transportation ground rules promulgated by RIAC and Section 1-2-1.1 of the Rhode Island General Laws. During fiscal year 2015, CFC revenues, including audit recoveries, were \$5.925 million, as compared to \$5.464 million in fiscal year 2014, and \$5.721 million in fiscal year 2013.

PASSENGER FACILITY CHARGES

Passenger Facility Charges (PFCs) are available to airports to finance specific eligible projects that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise resulting from an airport or (iii) furnish opportunities for enhanced competition among air carriers. Prior to fiscal year 2006, RIAC had received approval of its applications for authority to impose and use PFCs of \$3.00 per enplaned passenger to pay for eligible components of several projects including the new T.F. Green Terminal as well as the payment of a portion of the debt service on the 1993 Series A Bonds, the 1994 Series A Bonds and the 2000 Series A and B Bonds issued therefore. During fiscal years 2006 and 2007, RIAC's PFC applications one through four were amended to increase the PFC from \$3.00 to \$4.50 per enplaned passenger and adjust the total PFC Authority from \$147.5 million to \$135.9 million. In fiscal year 2007, RIAC received approval of an additional application for certain airport projects in the amount of \$31.826 million to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$167.726 million. In fiscal year 2010, RIAC received approval of an additional application for certain airport projects in the amount of \$15.833 million to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$183.559 million. In fiscal year 2014, RIAC received approval of an additional application for certain airport projects in the amount of \$78.377 million to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$261.936 million.

Fiscal year 2015 PFC revenues were \$7.152 million as compared to \$7.308 million in fiscal year 2014 and \$7.628 million in fiscal year 2013. As of June 30, 2015, \$157.461 million (including interest earned) of PFCs have been collected. The authority to collect PFCs expires upon the expiration date specified by the FAA or once collections reach a maximum amount approved by the FAA, whichever occurs first.

In fiscal year 2015, \$8.265 million of PFCs were expended for capital acquisition and construction and debt service payments on the 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), 2005 Series C bonds (which refunded the 2000 Series B), 2013 Series C (which refunded the 2003 Series), and 2015 Series A (which refunded the 2004 Series A). In fiscal year 2014, \$12.425 million of PFCs were expended for capital acquisition and construction and debt service payments on the 1994 Series A, 2003 Series (which refunded a portion of the 1993 Series), 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), 2005 Series C bonds (which refunded the 2000 Series B), and 2013 Series C (which refunded the 2003 Series). In fiscal year 2013, \$4.868 million of PFCs were used for capital asset acquisition and construction and debt service payments on the 1994 Series A, 2003 Series (which refunded a portion of the 1993 Series), 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), and 2005 Series C bonds (which refunded the 2000 Series B).

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Capital asset acquisitions and improvements exceeding \$2,500 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants with matching RIAC funds.

In fiscal year 2015, RIAC capitalized \$2.826 million in land and easement acquisitions, \$36.718 million in leasehold improvements, \$4.807 million in machinery and equipment, and \$113 thousand in vehicle acquisitions. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$52.584 million at June 30, 2015.

In fiscal year 2014, RIAC capitalized \$2.808 million in land and easement acquisitions, \$1.705 million in leasehold improvements, and \$1.384 million in machinery and equipment. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$37.654 million at June 30, 2014.

Additional information on capital assets may be found in the notes to financial statements.

SIGNIFICANT PROJECTS - AIRPORTS

Noise Mitigation - Voluntary Land Acquisition

In fiscal year 2015, approximately \$7.102 million was expended for acquisition, relocation, demolition, and related program costs associated with 56 properties acquired in connection with the Voluntary Land Acquisition program. The amount expended in fiscal year 2014 totaled approximately \$7.837 million. Amounts related to the value of land at the time of these acquisitions are capitalized, but not depreciated.

Noise Mitigation - Sound Insulation - Phases 1, 2, 3 and 4

In fiscal year 2015, approximately \$4.715 million was expended on actual sound insulation of 10 homes in Phase 1, and design and sound insulation of 46 homes in Phase 2A. Additionally, in fiscal year 2015, there were design costs for 58 homes in Phase 2B and 90 homes and 40 condominiums in Phase 3. Phases 2B and 3 will be constructed in fiscal year 2016 and 2017. The most current phase, Phase 4, is under design and includes 80 homes and 146 multi-unit homes. Through Phase 4, a total of 284 homes and 186 multi-unit homes will have been designed and sound insulated. The amount expended in fiscal year 2014 totaled approximately \$1.041 million.

Deicer Management System

In fiscal year 2015, approximately \$12.906 million was expended on the Deicer Management System at T.F. Green Airport. The project includes online monitoring and diversion of deicing storm water to comply with the Rhode Island Pollutant Discharge Elimination System (RIPDES) permit issued by the Rhode Island Department of Environmental Management (RIDEM). The improvements prevent the discharge of deicing runoff to surface waters when the concentration exceeds the RIPDES permit limits. The amount expended in fiscal year 2014 totaled approximately \$15.710 million.

Runway 16-34 Safety Area Improvements

In fiscal year 2015, approximately \$15.958 million was expended on the Runway 16-34 Safety Area (RSA) Improvements. This project includes installation of an Engineered Materials Arresting System (EMAS) in the RSAs at each runway end. It also includes reconfiguring the taxi lane from the Runway 16 end to the North Apron to meet FAA requirements, replacement of Navigational Aids (NAVAIDs), raising of Runway 34 end, relocation of a portion of the Runway 34 end, Perimeter Road, and wetland mitigation improvements. The amount expended in fiscal year 2014 totaled approximately \$6.789 million.

Runway 5-23 Extension

In fiscal year 2015, approximately \$12.911 million was expended on the Runway 5-23 Extension. This project involves extending Runway 5 to the south by approximately 1,530 feet to a total length of 8,700 feet. Major components of this project include the relocation of Main Avenue (including the purchase and demolition of homes), the voluntary acquisition of homes within the new Runway Protection Zone (RPZ), the relocation of Winslow Park facilities, and the extension of Runway 5. The amount expended in fiscal year 2014 totaled approximately \$6.458 million.

Hangar 1 Demolition

In fiscal year 2015, approximately \$264 thousand was expended on the demolition of Hangar 1. This hangar was located in the Runway 16-34 Object Free Area. This project demolished the existing hangar and restored the current footprint of the building into a usable airside aircraft parking apron area. The amount expended in fiscal year 2014 totaled approximately \$893 thousand.

Quonset - Relocate Airfield Lighting Vault

In fiscal year 2015, approximately \$175 thousand was expended on the airfield lighting vault at Quonset State Airport. The Airfield Lighting vault was located in the former terminal building that is slated for demolition in the near term. This project upgraded and relocated the vault to a more compatible location. The amount expended in fiscal year 2014 totaled approximately \$1.257 million.

Quonset - R/W 16-34 Repair and Culvert Replacement

In fiscal year 2015, approximately \$3.897 million was expended on this project. The project consists of replacement of the twin 54" diameter culvert crossing beneath Runway 16-34 and Taxiway A-North at Quonset State Airport. The work includes the design and construction of a new twin 54" diameter culvert including headwalls and related improvements. In addition, the project includes the relocation of the existing Runway 34 demarcation bar and associated lighting.

Westerly - Acquire Easements/Obstruction Lights/Removal of Obstructions

In fiscal year 2015, approximately \$611 thousand was expended on this project at Westerly State Airport. This project includes the acquisition of easements and the removal of obstructions. Costs associated with this work include detailed ground surveys, engineering, environmental permitting, construction of obstruction lights to demarcate obstructions that will remain, and obstruction removal. The amount expended in fiscal year 2014 totaled approximately \$848 thousand.

LONG-TERM DEBT ADMINISTRATION - GENERAL

Under the State Lease Agreement, RIAC has agreed to reimburse the State for GO Bond debt service accruing after July 1, 1993. In the event there are not sufficient moneys available to reimburse the State, such event shall not constitute an event of default. Instead, the unpaid portion shall accrue and be payable in the next succeeding fiscal year and shall remain a payment obligation of RIAC until paid in full. If the unpaid portion is not reimbursed by the end of the following year, such failure could constitute an event of default on the part of RIAC under the State Lease Agreement. RIAC is current in all of its payment obligations to the State. These bonds mature annually through 2023. The balance outstanding at June 30, 2015 and 2014 was \$495 thousand and \$2.020 million, respectively.

In 1994, RIAC issued \$30 million Series A General Airport Revenue Bonds dated May 19, 1994, maturing annually from 1998 through 2014 with interest coupons ranging from 5.25% to 7%. The balance outstanding as of June 30, 2015 and 2014 was \$0 and \$1.190 million, respectively.

In 2004, RIAC issued \$52.665 million Series A Airport Revenue Refunding Bonds dated March 12, 2004 to enable the defeasance of \$31.915 million and \$20.19 million of 1993 Series A and 1994 Series A General Airport Revenue Bonds, respectively. The refund issue matures annually through 2024 with interest coupons from 2% to 5%. As referenced below, \$48.625 million of these bonds were refunded during fiscal year 2015. The balance outstanding as of June 30, 2015 and 2014 was \$0 and \$48.72 million, respectively.

In 2005, RIAC issued \$43.545 million Series A and \$27.245 million Series B General Airport Revenue Bonds dated June 28, 2005 maturing annually from 2009 through 2030 with interest coupons ranging from 4.625% to 5%. Also on June 28, 2005, RIAC issued \$44.465 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$42.165 million of 2000 Series B General Airport Revenue Bonds. The refund issue matures annually through 2028 with interest coupons ranging from 3% to 5%. RIAC's defeasance of the 2000 Series B Bonds resulted in an economic present value gain of \$3.04 million or 7.2% of the refunded bonds. The outstanding balance for the 2005 Series as of June 30, 2015 and 2014 was \$97.655 million and \$101.92 million, respectively.

In 2008, RIAC issued \$17.645 million Series A and \$15.49 million Series B General Airport Revenue Bonds dated May 30, 2008 maturing annually through 2038 with interest coupons ranging from 3.5% to 5.25%. Also on May 30, 2008, RIAC issued \$18.03 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$18.06 million of 1998 Series B General Airport Revenue Bonds. The refund issue matures annually from 2010 through 2018 with interest coupons ranging from 4% to 5%. RIAC's defeasance of these 1998 Series B Bonds resulted in an economic present value gain of \$597 thousand or 3.3% of the refunded bonds. The outstanding balance for the 2008 Series as of June 30, 2015 and June 30, 2014 was \$39.145 million and \$41.810 million, respectively.

In 2013, RIAC secured funds for the Deicer Management System at T.F. Green Airport under the Rhode Island Clean Water Finance Agency's State Revolving Fund for the payment of eligible project costs up to \$33.5 million at an average effective interest rate of 2.44% (2013 Series A General Airport Revenue Bonds). This bond is issued pursuant to the Ninth Supplemental Indenture and secured by general airport revenues. Eligible project costs include construction funds, costs of issuance, and the debt service reserve fund. Interest payments will accrue as amounts are drawn down from this loan. The outstanding balance as of June 30, 2015 and June 30, 2014 was \$29.824 million and \$11.7 million, respectively.

In 2013, RIAC issued \$30.7 million Series B and \$2.055 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$32.06 million in 1998 Series A General Airport Revenue Bonds and \$6.02 million in 2003 Series A General Airport Revenue Bonds, respectively. The 2013 Series B refund issue matures annually from 2019 through 2028 with interest coupons from 4% to 5%. The 2013 Series C refund issue matures annually from 2014 to 2015 with interest coupons from 3% to 4%. RIAC's defeasance of the 1998 Series B Bonds and the 2003 Series A Bonds resulted in economic present value savings of \$1.914 million or 6% and \$171 thousand or 2.8% of the refunded bonds, respectively. The outstanding balance for the 2013 Series B and C as of June 30, 2015 and June 30, 2014 was \$31.725 million and \$32.755 million, respectively.

On March 23, 2015, RIAC issued \$42.98 million Series A Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of \$48.625 million in 2004 Series A General Airport Revenue Refunding Bonds. The 2015 Series A refund issue matures annually from 2015 through 2024 with an interest rate of 2%. RIAC's defeasance of the 2004 Series A Bonds resulted in economic present value savings of \$5.9 million or 12% of the refunded bonds. The outstanding balance for the 2015 Series as of June 30, 2015 was \$42.98 million.

LONG-TERM DEBT ADMINISTRATION – SPECIAL FACILITY

In 2006, RIAC issued \$48.765 million Series 2006 First Lien Special Facility Bonds for the InterLink Project (2006 First Lien Bonds) dated June 14, 2006 maturing annually from 2011 through 2036 with interest coupons ranging from 4% to 5%. The balance outstanding for the 2006 First Lien Bonds was \$46.11 million and \$46.87 million as of June 30, 2015 and 2014, respectively. The principal amount of redemption premium, if any, and interest on the 2006 First Lien Bonds is payable from and secured by a pledge of the respective interests of Commerce RI and RIAC in the Trust Estate created under the Indenture.

The Trust Estate consists of: (i) Facility Revenues (which include CFCs); (ii) moneys, including investment earnings, in funds and accounts pledged under the Indenture; (iii) certain insurance proceeds required to be deposited in such funds and accounts under the Indenture; and (iv) Commerce RI's right, title and interest to receive loan payments from RIAC under the Commerce RI Loan Agreement.

As part of the financing for the InterLink Project, RIAC and the Commerce RI secured additional funds under the USDOT's TIFIA for the payment of eligible project costs of the InterLink up to \$42 million at an interest rate of 5.26%. This TIFIA Bond is issued pursuant to the First Supplemental Indenture as a Second Lien Obligation payable from and secured by a pledge of and secondary interest in the Trust Estate under the Indenture, subject to the pledge of the Trust Estate for the security and payment of the 2006 First Lien Bonds. The 2006 TIFIA Bond is also secured by the Second Lien Debt Service Reserve Fund that was funded from CFCs on the DOO in an amount of \$3,328,407. The outstanding balance as of June 30, 2015 and June 30, 2014 was \$41.541 million for both years.

CREDIT RATINGS AND BOND INSURANCE

Since the inception of RIAC in 1992, there have been seven General Airport Revenue Bonds issued by Commerce RI to finance construction and other related costs for certain capital improvements and six Airport Revenue Refunding Bonds to defease all of the 1993 debt, a portion of the 1994 debt, all of the 1998 debt, all of the 2000 Series B debt, all of the 2003 debt, and all of the 2004 debt.

The General Airport Revenue Bonds (excluding the 2013 Series A Bonds) outstanding at June 30, 2015 include the 2005 Series A&B Bonds (\$70.79 million issued and insured by MBIA Insurance Company (MBIA) (now National Public Finance Guaranty (NPF)), with \$59.78 million outstanding), and the 2008 Series A&B Bonds (\$33.135 million issued and insured by Assured Guaranty Corp. (AGC), with \$30.295 million outstanding).

The Airport Revenue Refunding Bonds (excluding the 2015 Series A Bonds) outstanding at June 30, 2015 include the 2005 Series C Bonds (\$44.465 million issued and insured by MBIA (now NPF)), with \$37.875 million outstanding), the 2008 Series C Bonds (\$18.03 million issued and insured by AGC, with \$8.85 million outstanding), the 2013 Series B&C Bonds (\$32.755 million issued, and uninsured, with \$31.725 million outstanding), and the 2015 Series A Bonds (\$42.98 million issued and outstanding, insured by Assured Guaranty Municipal Corp. (AGM)).

As of June 30, 2015, RICC/RIAC's General Airport Revenue Bonds (excluding the 2013 Series A Bonds) and the Airport Revenue Refunding Bonds (excluding the 2015 Series A Bonds) are rated by three firms, Fitch Investor Services (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's (S&P) as BBB+ with a stable outlook, A3 with a negative outlook and BBB+ with a stable outlook, respectively.

In connection with the sale of RIAC's Series 2006 First Lien Bonds for the InterLink Project, insurance was purchased by RIAC to guarantee the payment of principal and interest when due from CFIG, Assurance North America, Inc. The policy is currently reinsured by AGC. The bonds are currently rated by Moody's and S&P as Baa1 with a negative outlook and BBB+ with a stable outlook, respectively.

CURRENT OPERATIONS AND FINANCIAL SITUATION

RIAC has extended the Signatory Airline Agreement for a five-year period through June 30, 2020 by mutual written agreement with Delta Airlines, FedEx, JetBlue Airways, Southwest Airlines, United Airlines, UPS, and US Airways.

Any questions or comments concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Financial Officer of the Rhode Island Airport Corporation, T. F. Green Airport, 2000 Post Road, Warwick, RI 02886 401-691-2000.

Financial Statements

Rhode Island Airport Corporation

Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Unrestricted assets:		
Cash and cash equivalents	\$ 28,422,984	\$ 43,344,665
Accounts receivable, net	21,000,293	8,221,338
Deposits and prepaid items	545,331	663,706
	<u>49,968,608</u>	<u>52,229,709</u>
Restricted assets:		
Restricted cash and cash equivalents	22,840,954	21,773,805
Restricted investments	11,704,229	2,258,449
Accounts receivable, net	1,581,901	1,439,345
Deposits and prepaid items	92,906	46,446
	<u>36,219,990</u>	<u>25,518,045</u>
Total current assets	<u>86,188,598</u>	<u>77,747,754</u>
Noncurrent Assets		
Restricted cash and cash equivalents	38,490,872	40,960,880
Restricted investments	-	14,703,921
Notes receivable	504,295	261,580
Capital assets, net of accumulated depreciation and amortization	557,450,743	523,324,256
Deferred charges, net of accumulated amortization of \$758,718 and \$1,229,767 in 2015 and 2014, respectively	1,388,620	1,612,269
Total noncurrent assets	<u>597,834,530</u>	<u>580,862,906</u>
Total assets	<u>684,023,128</u>	<u>658,610,660</u>
Deferred Outflows of Resources		
Deferred pension expense	175,135	-
Deferred amounts on refunding	4,778,194	5,388,304
	<u>4,953,329</u>	<u>5,388,304</u>
Liabilities		
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	795,700	1,343,322
Accrued payroll and employee benefits	1,999,843	1,725,804
Accrued expenses	2,662,850	1,680,787
Due to other component unit	235,000	63,336
Unearned revenue	298,563	246,415
Liability for claims, judgements and other settlements	164,000	164,000
Current portion of long-term obligations	45,409	105,838
	<u>6,201,365</u>	<u>5,329,502</u>
Payable from restricted assets:		
Accounts and retainage payable	7,387,419	5,056,690
Accrued expenses	2,826,326	7,841,729
Accrued interest payable	6,846,844	8,003,906
Current portion of long-term obligations	10,842,322	10,005,000
	<u>27,902,911</u>	<u>30,907,325</u>
Total current liabilities	<u>34,104,276</u>	<u>36,236,827</u>
Noncurrent Liabilities		
Long-term obligations, less current portion	323,525,262	323,355,583
Due to primary government	495,000	2,020,000
Due to other component unit	1,380,023	-
Net pension liability	1,973,129	-
Total noncurrent liabilities	<u>327,373,414</u>	<u>325,375,583</u>
Total liabilities	<u>361,477,690</u>	<u>361,612,410</u>
Deferred Inflows of Resources		
Deferred pension credit	172,785	-
Net Position		
Net investment in capital assets	247,477,611	212,904,767
Restricted	39,487,513	44,099,191
Unrestricted	40,360,858	45,382,596
Total net position	<u>\$ 327,325,982</u>	<u>\$ 302,386,554</u>

See Notes to Financial Statements.

Rhode Island Airport Corporation

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Charges for services:		
Rental, concession fees and other	\$ 26,736,651	\$ 25,998,486
Landing fees and airfield revenues	15,386,501	13,504,418
Parking	11,399,673	12,040,693
Total operating revenues	53,522,825	51,543,597
Operating Expenses		
Employee wages and benefits	18,784,262	17,778,912
Supplies, materials and services	5,022,358	5,655,282
Other operating expenses	7,110,752	6,711,564
Depreciation and amortization	20,158,122	19,905,379
Total operating expenses	51,075,494	50,051,137
Operating income (before InterLink)	2,447,331	1,492,460
InterLink, Net (Note 9)	1,698,634	1,318,219
Operating income	4,145,965	2,810,679
Nonoperating Revenues (Expenses)		
Passenger facility charges	7,152,033	7,307,517
InterLink investment income (Note 9)	25,338	7,167
Investment income	109,610	61,151
Other	414,978	38,528
Grant revenues (Note 1)	14,438,138	8,819,005
Grant expenses (Note 1)	(14,652,027)	(8,976,548)
InterLink interest expense (Note 9)	(4,495,513)	(4,533,513)
Interest expense	(10,956,025)	(12,153,363)
Total nonoperating revenues (expenses), net	(7,963,468)	(9,430,056)
Loss before capital contributions	(3,817,503)	(6,619,377)
Capital Contributions, Net	30,757,179	9,428,844
Change in net position	26,939,676	2,809,467
Net Position, Beginning of Year, as Restated (Note 1)	300,386,306	299,577,087
Net Position, End of Year	\$ 327,325,982	\$ 302,386,554

See Notes to Financial Statements.

Rhode Island Airport Corporation

Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Receipts from rentals and other services or fees	\$ 50,940,031	\$ 51,674,917
Payments to employees for services	(18,704,417)	(17,668,479)
Payments to suppliers and other	(9,846,167)	(12,069,521)
InterLink, net	6,135,762	5,853,451
Net cash provided by operating activities	28,525,209	27,790,368
Cash Flows From Noncapital Financing Activities		
Grant receipts	11,083,694	6,577,557
Grant payments	(14,683,662)	(8,507,420)
Net cash used in noncapital financing activities	(3,599,968)	(1,929,863)
Cash Flows From Capital and Related Financing Activities		
Collection of passenger facility charges	7,122,649	7,939,827
Proceeds from sale of capital assets	1,872	48,606
Other	415,708	8,125
Interest paid, long-term obligations	(16,840,115)	(18,373,695)
Capital contributions and grant revenues, net	20,965,517	8,961,644
Acquisition and construction of capital assets	(64,161,780)	(25,661,607)
Proceeds from long-term obligations	59,445,218	42,633,147
Payments on long-term obligations	(53,600,640)	(50,749,024)
Net cash used in capital and related financing activities	(46,651,571)	(35,192,977)
Cash Flows From Investing Activities		
Proceeds from sale and maturity of investments	7,509,085	4,001,964
Purchase of investments	(2,250,944)	(6,930,893)
Interest on investments	143,649	69,045
Net cash provided by (used in) investing activities	5,401,790	(2,859,884)
Net decrease in cash and cash equivalents	(16,324,540)	(12,192,356)
Cash and Cash Equivalents, Beginning of Year	106,079,350	118,271,706
Cash and Cash Equivalents, End of Year	\$ 89,754,810	\$ 106,079,350
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current unrestricted assets	\$ 28,422,984	\$ 43,344,665
Current restricted assets	22,840,954	21,773,805
Noncurrent restricted assets	38,490,872	40,960,880
	\$ 89,754,810	\$ 106,079,350

(Continued)

Rhode Island Airport Corporation

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 4,145,965	\$ 2,810,679
Adjustments to reconcile operating income to net cash provided by operations		
Depreciation and amortization	24,717,124	24,464,738
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(2,756,816)	66,027
Deposits and prepaid items	118,375	53,090
Increase (decrease) in:		
Accounts payable	(547,624)	93,659
Accrued expenses	2,990,231	261,009
Unearned revenue	52,148	41,166
Other noncurrent liabilities	(194,194)	-
Net cash provided by operating activities	\$ 28,525,209	\$ 27,790,368
Supplemental Disclosure for Cash Flow Information		
Noncash capital and related financing activities:		
Capital assets acquired through accounts payable	\$ 2,696,116	\$ 2,996,176
Capital contribution and grant revenues recognized through accounts receivable	17,883,203	6,926,708
Deferred amount on refundings recorded through:		
Reduction of unamortized bond insurance costs and unamortized original issue premiums and discounts	338,938	352,519

See Notes to Financial Statements.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies

Reporting entity:

Rhode Island Airport Corporation (RIAC) is a public corporation organized in December 1992 for the purpose of assuming operating responsibility for the six airports in the State of Rhode Island (State). RIAC is a subsidiary of Commerce RI, formerly the Rhode Island Economic Development Corporation, and a component unit of the State of Rhode Island. The airports are owned by the State and prior to July 1, 1993 were managed by the Department of Transportation, Department of Airports (RIDOT). RIAC and the State entered into a Lease and Operating Agreement (Lease Agreement) which transferred operating responsibility for the airports to RIAC effective July 1, 1993, which agreement was amended in fiscal year 2008 to extend the term to 2038 (see Note 8). RIAC does not have the power to issue bonds, notes or borrow money without the approval of Commerce RI, nor does it have the power of eminent domain with respect to real property.

RIAC is governed by a board of directors which consists of seven members who serve without compensation but are entitled to reimbursement for necessary expenses incurred in performance of their duties relating to RIAC. One member is appointed by the Mayor of the City of Warwick, Rhode Island, and the remaining six members are appointed by the Governor of the State of Rhode Island.

RIAC is not subject to federal, state or local income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, RIAC has adopted the provision of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards for the criteria used to evaluate the organization's activities and functions that should be included in RIAC's financial statements. No component units are reported in the accompanying financial statements based on operational or financial relationships with RIAC.

Measurement focus and basis of accounting:

The accounting policies of RIAC conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies and, as such, RIAC is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

RIAC distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with RIAC's principal ongoing operations. The principal operating revenues of RIAC are charges to customers for fees, rent and services. Operating expenses include the cost of providing services, administrative expenses and depreciation and amortization expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The major components of the nonoperating revenue sources are interest income from cash and investments, passenger facility charges and revenues from the Noise Mitigation Program. The major components of non-operating expense are expenditures for the Noise Mitigation program, interest expense and other nonoperating expenses. When both restricted and unrestricted resources are available for use, it is RIAC's policy to use restricted assets first, then unrestricted resources as they are needed.

Cash and cash equivalents:

For the purposes of the statement of cash flows, RIAC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

RIAC's cash and cash equivalents include amounts designated by the Board of Directors for capital acquisition, construction and operating costs (see Note 6). Such amounts totaled \$5,100,000 as of June 30, 2015 and 2014.

Receivables:

Receivables are reported at the original amount billed, less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience, aviation industry trends and current information regarding the creditworthiness of the debtors. RIAC requires collateral or other forms of security from certain customers.

Receivables from state and federal agencies are reported based on reimbursable capital expenditures.

Investments:

Investments, which include money market funds with maturities of greater than one year, are recorded at fair market value.

Restricted assets:

Restricted assets consist of monies and other resources whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. The distinction between current and noncurrent cash and investments is that noncurrent cash and investments are restricted for long-term debt service and reserves. These restrictions are described below:

Restricted for certain expenditures:

These assets are restricted under RIAC's capital grants and other agreements for certain capital projects and operating expenses. These assets include amounts collected for Passenger Facility Charges, InterLink Facility Revenues and bond proceeds to be used for construction and operating expenses related to the InterLink.

Restricted for deposits:

These assets are restricted from operations because they represent deposits that are held to ensure performance by tenants.

Restricted for reserves:

These assets are restricted by the Master Indenture of Trust dated October 1, 1993, which authorizes Commerce RI to issue bonds on behalf of RIAC. The operating and maintenance reserve represents resources set aside to subsidize potential deficiencies from RIAC's operations that could adversely affect debt service payments. The repair and rehabilitation reserve represents resources set aside to meet unexpected contingencies or to fund asset repairs and rehabilitation. The InterLink has assets that are restricted per the First Supplemental Indenture of Trust dated June 1, 2006. The InterLink operating and maintenance reserve represents resources set aside to subsidize potential deficiencies from the InterLink's operations that could adversely affect debt service payments. The emergency renewal and replacement reserve fund represents assets set aside to be used by RIAC to pay emergency renewal and replacement costs.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Capital assets and depreciation and amortization:

Capital assets are stated at cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation, except for capital assets donated by the State which were recorded at the same net book value as previously reported by the State. Assets leased from the State by RIAC are recorded at the present value of the future minimum lease payments plus the amounts expended from the funding received from the federal government. Approximately 50% of RIAC's capital assets are subject to lease. RIAC defines capital assets as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and costs associated with the Noise Mitigation Program are expensed as incurred except for the value of the land acquired, which is capitalized. Interest expense incurred on bonds payable during the construction phase of capital assets, net of interest income earned on project-specific bond proceeds invested over the same period, is included as part of the capitalized value of the assets constructed.

Depreciation and amortization of capital assets is calculated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Assets leased from the State	5-25
Leasehold improvements	7-50
Machinery and equipment	3-15
Vehicles	5-10

Deferred outflows/inflows of resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. RIAC reports a deferred charge on refunding in this manner in the statements of net position. A deferred outflow on debt refunding results from the difference in the carrying amount of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. RIAC reports a deferred pension credit as a result of the deferred inflows and outflows of pension resources under GASB Statement No. 68 in developing the pension expense. They arise from differences between expected and actual experience and changes in assumptions. The portion of these amounts not included in pension expense are included in the deferred inflows or outflows of resources.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Compensated absences:

RIAC accrues vacation and sick pay benefits as earned by its employees in accordance with established personnel policies using the salary rates in effect at the statements of net position date. A liability for these amounts is recorded for amounts expected to be paid.

Original issue premium or discount:

Bond premiums and discounts are deferred and amortized over the life of the related bonds using the effective interest method. Revenue bonds payable are reported net of the original issue bond premium or discount, as appropriate.

Net position:

RIAC's net position is presented in the following three categories:

Net investment in capital assets:

This category represents capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets. Invested in capital assets, net of related debt, excludes unspent debt proceeds.

Restricted net position:

This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position:

This category represents the residual amount of net position not included in the other two categories.

Revenue recognition:

Rental, concession fees and other:

Rental and concession fees are generated from airlines, food and beverage outlets, retailers, rental car agencies, advertising and commercial tenants. Leases executed by RIAC with such parties are accounted for as operating leases. RIAC recognizes rental income on a straight-line basis over the terms of the various leases.

Concession fees are recognized based on reported concessionaire revenue. Where agreements permit audits of concessionaire revenue, any additional fees resulting from such audits are recognized when such amounts become known. Other Income includes federal grants, bad debt expenses and recoveries, and audit recoveries.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Landing fees and airfield revenues:

Landing fees are generated principally from scheduled airlines, cargo carriers and nonscheduled commercial aviation based on the landed weight of the aircraft and/or signed contracts. Airfield revenues include apron, tiedown and hangar rentals, fuel flowage fees and other airfield related revenues. Landing fees and airfield revenues are recognized as revenue as the related facilities are used.

Parking:

Parking revenues are generated principally from on-site facilities managed by a third party. Revenues are based upon utilization of the facilities. Parking revenues are recognized based upon reported revenue by the management company. Additional parking revenues resulting from an audit of the management company records are recognized when such amounts become known.

Passenger facility charges:

Passenger Facility Charges (PFC) net receipts are restricted for use on pre-approved Federal Aviation Administration (FAA) projects, including related debt service. The FAA has approved PFC funding for twenty-six projects that comprise a significant portion of RIAC's capital improvement program. RIAC has been authorized to collect PFCs in the aggregate amount of approximately \$261,936,000 based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2015 were approximately \$157,461,000. Passenger facility charges are recorded as nonoperating revenue as earned, based on enplaned passengers.

Customer facility charges:

Effective July 1, 2001, rental car agencies operating under lease agreements with RIAC were required to impose a customer facility charge (CFC) per transaction day on substantially all car rentals. Effective April 1, 2014 the CFC is \$6.00. CFC revenue is recorded as operating revenue as earned, based upon daily car rentals reported by the rental car agencies. Additional CFC revenues resulting from audits of the rental car agency records are recognized when such amounts become known. See Note 9 for further discussion.

Grants and capital contributions:

Certain expenditures for airport capital improvements are funded through the Airport Improvement Program of the FAA. The funding provided under these government grants is considered earned when eligibility requirements are met.

Grants for capital asset acquisition, facility development and eligible long-term planning studies are reported in the statements of revenues, expenses and changes in net position after nonoperating revenues and expenses as capital contributions.

Revenues from other grants are recognized as nonoperating revenue as soon as all eligibility requirements imposed by the grantor have been met.

Contributions of capital assets by the State are reported as capital contributions at the same net book value as previously reported by the State. Capital assets conveyed to RIAC, based on the expiration of certain concession and lease agreements, are reported as capital contributions at estimated fair market value as of the date of transfer.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Noise mitigation program:

The Noise Mitigation Program consists of the acquisition of properties under the “70 Day Night Level” (DNL) land acquisition program and the 65 DNL sound insulation program, which are funded in part by federal grants. The noise mitigation-land acquisition program includes the purchase and demolition of homes within the 70 DNL contours, as well as related relocation costs of the occupants. The noise mitigation-sound insulation program includes the sound insulation and related measures for eligible homes and apartments within the 65 DNL contours. The acquisition and sound insulation of the homes and apartments are on a voluntary basis. Costs related to these programs are expensed as incurred, except for the value of land acquired, which is capitalized. Revenue and expenses for this program are included in grant revenues and grant expenses, respectively, in the nonoperating section of the statements of revenues, expenses and changes in net position.

Runway protection zone - land acquisition program:

The Land Acquisition Program consists of the voluntary acquisition of properties located in the newly defined Runway Protection Zone (RPZ) for the Runway 5-23 extension, which is funded in part by federal grants. Costs related to this program are expensed as incurred, except for the value of land acquired, which is capitalized. Revenue and expenses for this program are included in grant revenues and grant expenses, respectively, in the nonoperating section of the statements of revenues, expenses and changes in net position.

Pension plans:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees’ Retirement System plan (ERS) and the additions to/deductions from ERS’ fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Pronouncements issued, not yet effective:

GASB Statement No. 72, Fair Value Measurement and Application, will be effective for financial statements for periods beginning after June 15, 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, will be effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements accountability of this statement for pension plans that are within the scope of *Statement No. 67* or for pensions that are within the scope of *Statement No. 68* are effective for fiscal years beginning after June 15, 2015. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, will be effective for financial statements for periods beginning after June 15, 2016. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will be effective for financial statements for periods beginning after June 15, 2017. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, will be effective for financial statements for periods beginning after June 15, 2015. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes *Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

GASB Statement No. 77, Tax Abatement Disclosures, will be effective for financial statements for periods beginning after December 15, 2015. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues in order to better allow users to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact those abatements have on a government's financial position and economic condition.

Management has not yet determined the effect that the above GASB statements will have on the financial statements.

Adoption of new accounting pronouncements:

The GASB issued *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, in June 2012 and, its amendment, *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*, which was effective for RIAC's fiscal year 2015. This statement revises and establishes new financial accounting and reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, *Statement No. 68* requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and the related recognition of pension expense. RIAC implemented this statement during fiscal year 2015. The effects on the RIAC's financials are as follows: The beginning net position was adjusted by \$2,000,248, a net pension liability of \$1,973,129 was added, deferred pension expense of \$145,666 and a deferred pension credit of \$172,785 were added. Details can be found in Note 10. With respect to the comparative information as of and for the year ended June 30, 2014, 2014 balances could not be restated as information required to adopt the standard is not available to RIAC.

Reclassification:

Certain amounts for the year ended June 30, 2014 have been reclassified, with no effect on 2014 net income, to be consistent with the classification adopted for the year ended June 30, 2015.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments

Components of cash, cash equivalents and investments at June 30 are summarized below:

	2015	2014
Unrestricted cash and cash equivalents:		
Demand deposits	\$ 28,422,984	\$ 43,344,665
Restricted cash, cash equivalents and investments:		
Demand deposits	22,840,954	21,773,805
U.S. Treasury notes	11,704,229	2,258,449
Total restricted cash, cash equivalents and investments	34,545,183	24,032,254
Non-current restricted cash, cash equivalents and investments:		
Demand deposits	11,059,493	11,825,781
Money market funds	27,431,379	29,135,099
U.S. Treasury notes	-	14,703,921
Total non-current restricted cash, cash equivalents and investments	38,490,872	55,664,801
Total	\$ 101,459,039	\$ 123,041,720

Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, RIAC will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. RIAC has a deposit policy for custodial credit risk in addition to that which is provided by Rhode Island General Laws, Chapter 35-10.1 under which an amount equal to or greater than 100% of the uninsured bank balances of RIAC's cash deposits are collateralized with securities held by the pledging bank's trust department or agent in RIAC's name. In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100 percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100 percent of deposits, regardless of maturity.

Eligible collateral per the agreement and Rhode Island General Laws, Chapter 35-10.1 includes the following: obligations of the United States; obligations of the State of Rhode Island; obligations of any other state with a rating not less than "A" by Standard and Poor's Ratings Services or Moody's Investor Services, Inc.; certain one-to-four family residential mortgage loans, providing they meet certain provisions; and other marketable securities and debt instruments determined to be satisfactory for purposes of providing liquid assets in the event of default or insolvency of a qualified depository institution providing that this type of collateral does not exceed 10% of the total collateral pledged by the financial institution.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

The bank balances of RIAC's cash deposits totaling \$67,880,357 and \$77,718,850 that were exposed to custodial credit risk as of June 30, 2015 and 2014, respectively, are as follows:

	2015	2014
Uninsured, but collateralized with securities held by the pledging bank's trust department or agent in RIAC's name	\$ 67,630,357	\$ 77,568,850

Investments:

Interest rate risk:

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, RIAC's investment policy limits its investments to those that provide for sufficient liquidity to meet all operating requirements, annual debt service and a reasonable rate of return. Information about the exposure of the entity's debt type investments to this risk using segmented time distribution model is as follows:

Type of Investment	Fair Value	2015	
		Investment Maturities (in Years)	
		Less Than 1 Year	1-5 Years
Money market funds	\$ 27,431,379	\$ 27,431,379	\$ -
U.S. Treasury notes	11,704,229	11,704,229	-
	<u>\$ 39,135,608</u>	<u>\$ 39,135,608</u>	<u>\$ -</u>

Type of Investment	Fair Value	2014	
		Investment Maturities (in Years)	
		Less Than 1 Year	1-5 Years
Money market funds	\$ 29,135,099	\$ 29,135,099	\$ -
U.S. Treasury notes	16,962,370	2,258,449	14,703,921
	<u>\$ 46,097,469</u>	<u>\$ 31,393,548</u>	<u>\$ 14,703,921</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Credit risk:

Generally, credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Presented below is the minimum rating as required for each debt-type investment. RIAC's investment policies are pursuant to the Master Indentures of Trust (Indentures) and Rhode Island General Laws. Rhode Island General Laws and the Indentures permit RIAC to invest in certificates of deposit, savings accounts, money market funds, obligations of the United States Government or certain obligations thereof, repurchase agreements with any eligible depository for a period not to exceed 30 days, commercial paper with a rating of P-1, A-1 or higher as approved by RIAC's Board of Directors, and investment grade corporate debentures with a rating of AAA, AA by Standard & Poor's Ratings Services and Aaa, Aa by Moody's Investor Service, Inc.

	2015	2014
	AAA	AAA
Money market funds	\$ 27,431,379	\$ 29,135,099

Custodial credit risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, RIAC will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. RIAC does not have a policy for custodial credit risk.

RIAC's investments are held by the counterparty in RIAC's name.

Concentration of credit risk:

RIAC places no limit on the amount of investment in any one issuer. In accordance with GASB Statement No. 40, none of RIAC's investments require concentration of credit risk disclosures.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Unrestricted		
Accounts receivable, trade	\$ 3,228,080	\$ 1,531,710
Due from federal government	18,065,238	6,926,708
Other	6,159	5,388
	<u>21,299,477</u>	<u>8,463,806</u>
Less: allowance for uncollectible amounts	299,184	242,468
	<u>\$ 21,000,293</u>	<u>\$ 8,221,338</u>

The amounts due from the federal government are based on expenditures incurred by RIAC under terms of grant agreements or legislation.

	2015	2014
Restricted		
Due from airlines - passenger facility charges	\$ 757,746	\$ 728,362
Due from car rental agencies - InterLink facility revenues	821,029	699,156
Other	3,126	11,827
	<u>\$ 1,581,901</u>	<u>\$ 1,439,345</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 is as follows:

	2015			Ending Balance
	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	
Capital assets, not being depreciated/amortized				
Land	\$ 42,641,889	\$ 2,825,800	\$ -	\$ 45,467,689
Construction in progress	37,653,776	54,764,007	(39,834,019)	52,583,764
Total capital assets, not being depreciated/ amortized	80,295,665	57,589,807	(39,834,019)	98,051,453
Capital assets, being depreciated/amortized				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	651,661,930	36,718,295	-	688,380,225
Machinery and equipment	50,474,439	4,807,064	(313,646)	54,967,857
Vehicles	2,012,737	112,519	-	2,125,256
Total capital assets being depreciated/ amortized	734,757,955	41,637,878	(313,646)	776,082,187
Less accumulated depreciation/amortization for				
Assets leased from the State	(26,520,021)	(918,474)	-	(27,438,495)
Leasehold improvements	(232,064,581)	(20,998,082)	-	(253,062,663)
Machinery and equipment	(31,303,757)	(3,303,409)	311,043	(34,296,123)
Vehicles	(1,841,005)	(44,611)	-	(1,885,616)
Total accumulated depreciation and amortization	(291,729,364)	(25,264,576)	311,043	(316,682,897)
Total capital assets, being depreciated/amortized, net	443,028,591	16,373,302	(2,603)	459,399,290
Total capital assets, net	\$ 523,324,256	\$ 73,963,109	\$ (39,836,622)	\$ 557,450,743

Rhode Island Airport Corporation

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	2014			
	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated/amortized				
Land	\$ 39,834,189	\$ 2,807,700	\$ -	\$ 42,641,889
Construction in progress	8,050,978	32,351,415	(2,748,617)	37,653,776
Total capital assets, not being depreciated/ amortized	47,885,167	35,159,115	(2,748,617)	80,295,665
Capital assets, being depreciated/amortized				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	649,956,890	1,705,040	-	651,661,930
Machinery and equipment	49,208,586	1,383,992	(118,139)	50,474,439
Vehicles	2,110,604	-	(97,867)	2,012,737
Total capital assets being depreciated/amortized	731,884,929	3,089,032	(216,006)	734,757,955
Less accumulated depreciation/amortization for				
Assets leased from the State	(25,601,547)	(918,474)	-	(26,520,021)
Leasehold improvements	(211,113,211)	(20,951,370)	-	(232,064,581)
Machinery and equipment	(28,380,988)	(3,022,707)	99,938	(31,303,757)
Vehicles	(1,849,756)	(89,116)	97,867	(1,841,005)
Total accumulated depreciation and amortization	(266,945,502)	(24,981,667)	197,805	(291,729,364)
Total capital assets, being depreciated/amortized, net	464,939,427	(21,892,635)	(18,201)	443,028,591
Total capital assets, net	\$ 512,824,594	\$ 13,266,480	\$ (2,766,818)	\$ 523,324,256

Capitalized interest included in capital asset additions for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Interest expense capitalized	\$ 401,536	\$ 185,513

As of June 30, 2015 and 2014, RIAC was obligated for the completion of certain airport improvements under commitments of approximately \$31,380,000 and \$35,323,000, respectively, which are expected to be funded from current available resources and future operations.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 5. Long-Term Obligations

Long-term obligations activity for the years ended June 30, 2015 and 2014 is as follows:

	2015				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue and special facility bonds payable	\$ 284,964,795	\$ 61,104,418	\$ (58,630,000)	\$ 287,439,213	\$ 10,842,322
Unamortized amounts:					
Original issue premiums	6,809,488	-	(1,422,008)	5,387,480	-
Total bonds payable	291,774,283	61,104,418	(60,052,008)	292,826,693	10,842,322
Other liabilities:					
State of Rhode Island payable	2,020,000	-	(1,525,000)	495,000	-
Note payable	151,247	-	(105,838)	45,409	45,409
TIFIA loan	41,540,891	-	-	41,540,891	-
Net pension liability	-	2,167,323	(194,194)	1,973,129	-
Due to other component unit	-	1,615,023	-	1,615,023	235,000
	\$ 335,486,421	\$ 64,886,764	\$ (61,877,040)	\$ 338,496,145	\$ 11,122,731
	2014				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue and special facility bonds payable	\$ 292,537,338	\$ 41,872,457	\$ (49,445,000)	\$ 284,964,795	\$ 10,005,000
Unamortized amounts:					
Original issue discounts	(167,266)	-	167,266	-	-
Original issue premiums	6,302,688	1,206,364	(699,564)	6,809,488	-
Total bonds payable	298,672,760	43,078,821	(49,977,298)	291,774,283	10,005,000
Other liabilities:					
State of Rhode Island payable	3,575,000	-	(1,555,000)	2,020,000	-
Note payable	252,790	-	(101,543)	151,247	105,838
TIFIA loan	41,540,891	-	-	41,540,891	-
	\$ 344,041,441	\$ 43,078,821	\$ (51,633,841)	\$ 335,486,421	\$ 10,110,838

Rhode Island Airport Corporation

Notes to Financial Statements

Note 5. Long-Term Obligations (Continued)

Revenue and special facility bonds payable:

Revenue and special facility bonds payable consist of the following bond issues as of June 30, 2015 and 2014:

Description	Date of Maturity	Interest Rate	2015	2014
1994 Series A bonds	07/01/2014	5.25%-7.0%	\$ -	\$ 1,190,000
2004 Series A bonds	07/01/2024	2.0%-5.0%	-	48,720,000
2005 Series A, B and C bonds	07/01/2030	3.0%-5.0%	97,655,000	101,920,000
2008 Series A, B and C bonds	07/01/2038	3.5%-5.25%	39,145,000	41,810,000
2013 Series A bonds	09/01/2034	.51%-2.73%	29,824,213	11,699,795
2013 Series B bonds	07/01/2028	4.1%-5.0%	30,700,000	30,700,000
2013 Series C bonds	07/01/2015	3.0%-4.0%	1,025,000	2,055,000
2015 Series A bonds	07/01/2024	2.0%	42,980,000	-
Total revenue bonds payable			241,329,213	238,094,795
2006 First Lien Special Facility Bonds	07/01/2036	4.0%-5.0%	46,110,000	46,870,000
Total revenue and special facility bonds payable			\$ 287,439,213	\$ 284,964,795

Aggregate scheduled principal and interest payments due on RIAC's long-term obligations as of June 30, 2015 through maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 10,887,731	\$ 16,619,154	\$ 27,506,885
2017	14,847,000	13,953,519	28,800,519
2018	15,843,043	13,883,606	29,726,649
2019	16,445,190	13,323,053	29,768,243
2020	17,041,553	12,627,627	29,669,180
2021-2025	91,152,512	50,883,921	142,036,433
2026-2030	79,602,323	32,224,556	111,826,879
2031-2035	39,528,662	16,927,838	56,456,500
2036-2040	33,959,093	7,627,479	41,586,572
2041-2042	10,213,406	812,668	11,026,074
	\$329,520,513	\$178,883,421	\$508,403,934

Revenue bonds are issued by Commerce RI on behalf of RIAC. The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds, except for the 2006 First Lien Special Facility Bonds, are secured by the net revenues derived from the operation of the airports. The 2006 First Lien Special Facility Bonds are secured solely by the net revenues derived from the InterLink.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 5. Long-Term Obligations (Continued)

Pledged revenues from airport operations:

Per its Master Indenture of Trust and Supplemental Indentures, RIAC has pledged net revenues derived from the operation by RIAC of the Airport and Certain General Aviation Airports to repay approximately \$241,329,000 in airport revenue bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts Available to Pay Debt Service per the Master Indenture, including pledged Passenger Facility Charges, were approximately \$36,860,000 and \$38,243,000 for the years ended June 30, 2015 and June 30, 2014, respectively. Principal and interest payments per the terms of the Master Indenture for the years ended June 30, 2015 and June 30, 2014 were approximately \$20,950,000 and \$21,208,000, respectively.

Obligations supported by Pledged Airport Net Revenue including the State of Rhode Island payable and note payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 10,043,409	\$ 11,973,969	\$ 22,017,378
2017	13,927,000	9,354,189	23,281,189
2018	14,398,000	10,843,444	25,241,444
2019	14,892,000	10,247,528	25,139,528
2020	15,364,000	9,587,745	24,951,745
2021-2025	80,752,000	36,712,800	117,464,800
2026-2030	65,069,000	16,060,712	81,129,712
2031-2035	19,634,213	4,391,350	24,025,563
2036-2040	7,790,000	1,513,475	9,303,475
	<u>\$241,869,622</u>	<u>\$110,685,212</u>	<u>\$352,554,834</u>

2015 Airport Revenue Refunding Bonds-In-Substance Defeasance:

In March 2015, RIAC issued \$42,980,000 Series A Airport Revenue Refunding Bonds, along with a cash paydown of \$6,598,000, to enable the defeasance of \$48,625,000 in 2004 Series A General Airport Revenue Bonds. The 2015 Series A refund issue matures annually from 2015 through 2024 with interest coupons at 2%. RIAC's defeasance of the 2004 Series A Bonds resulted in economic present value savings of \$5,884,000 or 12% of the refunded bonds. The cash savings of the difference was approximately \$7,105,000. The refunding resulted in a deferred loss on refunding in the amount of approximately \$1,659,000 which is included in Deferred Outflows of Resources in the statements of net position.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 5. Long-Term Obligations (Continued)

State of Rhode Island payable:

The Lease Agreement with the State requires RIAC to make annual payments to the State in an amount equal to the principal and interest payments due to bondholders under certain airport-related General Obligation Bonds issued on behalf of RIAC. Although the original airport-related General Obligation Bonds were defeased in June 2002, the terms of the Lease Agreement require RIAC to continue to remit payments to the State based upon the amortization schedule of original airport-related General Obligation Bonds through June 2023 (see Note 8). As of June 30, 2015 and 2014, the amounts owed were approximately \$495,000 and \$2,020,000, respectively.

Note payable:

RIAC has financed the acquisition of a parcel of land with seller-provided financing. The note requires monthly payments of principal and interest of \$9,176, including interest at 4.15% through November 2015. As of June 30, 2015 and 2014, the amounts owed were approximately \$46,000 and \$151,000, respectively.

TIFIA loan:

In June 2006, RIAC, the EDC and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement), agreement number TIFIA – No. 2006-1001, which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation (US DOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement is to reimburse Commerce RI and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink. RIAC was permitted under the Agreement to make requisitions of funds for eligible project costs through fiscal year 2013. RIAC began making payments of interest in fiscal year 2012, with interest at a rate of 5.26%. Payments are made on behalf of Commerce RI (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2015, RIAC had approximately \$41,541,000 in borrowings under this Agreement. See Note 9 for schedule of obligations to be paid from InterLink net revenues.

Note 6. Net Position

Restricted net position of RIAC consists of the following as of June 30, 2015 and 2014:

	2015	2014
Restricted		
Capital acquisition and construction	\$ 5,049,158	\$ 9,908,494
Passenger facility charges	7,197,252	8,303,136
InterLink	19,321,603	18,254,561
Operating and maintenance reserve - airports	4,682,000	4,453,000
Operating and maintenance reserve - InterLink	737,500	680,000
Emergency renewal and replacement reserve - InterLink	2,000,000	2,000,000
Repair and rehabilitation reserve - airports	500,000	500,000
	<u>\$ 39,487,513</u>	<u>\$ 44,099,191</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 6. Net Position (Continued)

Under the Master Indenture of Trust adopted in 1993, RIAC agreed to create and maintain two reserves. The operating and maintenance reserve is to be equal to two months operating and maintenance expenses and is to be used only if RIAC does not have sufficient funds in its current operating accounts to pay these expenses on a timely basis. The repair and rehabilitation reserve is to be equal to at least \$500,000 and can be used solely for emergency repairs and rehabilitation to airport facilities. Both reserves have been funded as required and neither has been used to date. The InterLink has assets that are restricted per the First Supplemental Indenture of Trust dated June 1, 2006. The operating and maintenance reserve is to be equal to one-half of the amount set forth in the annual budget. The emergency renewal and replacement reserve is to be equal to \$2,000,000.

Unrestricted net position consists of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unrestricted net position designated for capital acquisition, construction and operating costs	\$ 5,100,000	\$ 5,100,000
Unrestricted, undesignated net position	35,260,858	40,282,596
	<u>\$ 40,360,858</u>	<u>\$ 45,382,596</u>

Note 7. Operating Leases as Lessor

Future minimum contractual rental payments to be received under non-cancelable leases including airline and concession agreements are as follows:

Year Ending June 30,

2016	\$ 19,036,098
2017	19,038,262
2018	19,082,033
2019	18,412,195
2020	18,494,081
	<u>\$ 94,062,669</u>

In the event of tenant default, RIAC has the right to reclaim its leased property together with any improvements thereon.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 8. Related Party Transactions

The Lease Agreement between RIAC and the State is for a 30-year term (see Note 1) under which the State has agreed to lease various assets to RIAC for \$1 per year. In addition, the Lease Agreement requires RIAC to make annual payments to the State through June 2023 in amounts equal to the principal and interest payments due bondholders under certain airport-related General Obligation Bonds issued by the State on behalf of RIAC (see Note 5). In the event RIAC does not have sufficient funds to make the required payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no right to terminate the Lease Agreement so long as there are bonds and subordinate indebtedness outstanding.

Amounts due to the Quonset Development Corporation totaled \$1,615,023 and \$63,336 as of June 30, 2015 and 2014, respectively, and are included as due to other component unit in the accompanying statements of net position.

Note 9. InterLink Facility

The InterLink Facility includes consolidated facilities for Airport rental car operations; a train platform to provide access for commuter rail service south to Wickford, Rhode Island and north to both Providence and Boston; and a parking garage for rental car operators and rail commuters. An elevated and enclosed skywalk system connects the InterLink Facility to the Airport.

Net Income for the InterLink is recorded as Operating Revenue in RIAC's statements of revenues, expenses and changes in net position. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, and Net Commuter Parking Revenues. CFC revenues, including audit recoveries, were \$5,925,006 and \$5,463,755 for fiscal years 2015 and 2014, respectively. Operating Expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds and the USDOT's and TIFIA loan. Interest income on accounts associated with the InterLink is also included in this line item. A breakdown of activity from the InterLink Facility is as follows:

	2015	2014
Facility revenues	\$ 7,811,008	\$ 7,261,224
Operating and maintenance expense	1,553,372	1,383,646
InterLink operating income before depreciation and amortization	6,257,636	5,877,578
Depreciation and amortization	4,559,002	4,559,359
Operating income	1,698,634	1,318,219
Interest expense	(4,495,513)	(4,533,513)
Interest income	25,338	7,167
Net loss InterLink facility	\$ (2,771,541)	\$ (3,208,127)

Rhode Island Airport Corporation

Notes to Financial Statements

Note 9. InterLink Facility (Continued)

Pledged revenues from the InterLink facility: RIAC has pledged Facility Revenues related to the InterLink, net of specified operating expenses, to repay \$46,870,000 in First Lien Special Facility Bonds and \$41,540,891 in the TIFIA loan. Proceeds from the bonds were used for the construction of the InterLink. Facility revenues, including interest income, net of specified operating expenses, were approximately \$6,283,000 and \$5,885,000 for the years ended June 30, 2015 and June 30, 2014, respectively. Principal and interest payments per the terms of the indenture of trust on the First Lien Special Facility Bonds for the years ended June 30, 2015 and June 30, 2014 were approximately \$3,143,000 and \$3,096,000, respectively. Principal and interest payments on the TIFIA loan for the years ended June 30, 2015 and June 30, 2014 were approximately \$2,185,000 for both years.

Obligations supported by Pledged InterLink Net Revenues are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 845,000	\$ 4,483,014	\$ 5,328,014
2017	920,000	4,440,764	5,360,764
2018	1,445,043	4,834,807	6,279,850
2019	1,553,190	4,792,094	6,345,284
2020	1,677,553	4,737,594	6,415,147
2021-2025	10,400,512	19,934,037	30,334,549
2026-2030	14,533,323	16,809,897	31,343,220
2031-2035	19,894,448	12,615,274	32,509,722
2036-2040	26,169,093	6,602,041	32,771,134
2041-2042	10,212,729	812,668	11,025,397
	<u>\$ 87,650,891</u>	<u>\$ 80,062,190</u>	<u>\$167,713,081</u>

Note 10. Pension Plans

Defined Benefit Pension Plan:

Plan description – Certain employees of RIAC participate in a cost-sharing multiple-employer defined benefit pension plan administered by the State of Rhode Island Employees' Retirement System (ERS). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Benefit provisions – The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions – The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, RIAC employees are required to contribute 3.75% of their annual covered salary. RIAC is required to contribute at an actuarially determined rate; the rate was 23.33% of annual covered payroll for the fiscal year ended June 30, 2015. RIAC contributed \$175,135, \$167,075 and \$164,285 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2015, RIAC reported a liability of \$1,973,129 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RIAC's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014, RIAC's proportion was 0.11%.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 10. Pension Plans (Continued)

- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for state employees (determined on a funding basis) decreased from 57.4% to 56.1%.

For the year ended June 30, 2015, RIAC recognized pension expense of \$145,666. At June 30, 2015, RIAC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 175,135
Total	\$ 175,135

Deferred Inflows of Resources

Change of assumptions	\$ 21,430
Net difference between projected and actual earnings on pension plan investments	151,355
Total	\$ 172,785

\$175,135 reported as deferred outflows of resources related to pensions resulting from the RIAC's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$ (42,720)
2017	(42,720)
2018	(42,720)
2019	(42,720)
2020	(1,905)

Rhode Island Airport Corporation

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Actuarial assumptions:

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality rates were based on 115% (males) and 95% (females) of the RP-2000 combined healthy mortality tables with white collar adjustments projected with scale AA from 2000.

The actuarial assumptions used in the June 30, 2013 valuations rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Medium-Term Expected Real Rate of Return</u>
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge Funds	8%	4.75%
Absolute Return Hedge Funds	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 2,436,990	\$ 1,973,129	\$ 1,499,758

Defined Contribution Plan Description:

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS Section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

RIAC contributed \$7,511, \$7,460 and \$7,453 for the fiscal years ended June 30, 2015, June 30, 2014, and June 30, 2013, respectively, equal to 100% of the required contributions for these years.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

Money Purchase Pension Plan:

Employees hired by RIAC on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by RIAC. The number of RIAC employees covered by this Plan throughout the year averaged 140 in 2015 and 136 in 2014. RIAC's total payroll for the year ended June 30, 2015 was approximately \$12,301,000, of which \$10,217,000 was covered under the Plan. RIAC's total payroll for the year ended June 30, 2014 was approximately \$12,010,000, of which \$10,056,000 was covered under the Plan. RIAC's total payroll for the year ended June 30, 2013 was approximately \$11,713,000, of which \$9,754,000 was covered under the Plan.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 10. Pension Plans (Continued)

In order to participate in the Plan, covered employees must contribute 8% of their base pay to the Plan. Participants are 100% vested in the amounts they contribute. Withdrawals of these contributed amounts are not permitted prior to termination of employment. RIAC matches 100% of participants' required contributions under a one-year vesting schedule. Total contributions for the year ended June 30, 2015 were approximately \$817,000 by the employer and \$828,000 by the employees, respectively. Total contributions for the year ended June 30, 2014 were approximately \$805,000 by the employer and \$819,000 by the employees, respectively. Total contributions for the year ended June 30, 2013 were approximately \$585,000 by the employer and \$599,000 by the employees, respectively.

The Board of Directors of RIAC has the authority to establish and/or amend the Plan's provisions and the Plan's contribution requirements.

The assets of the Money Purchase Pension Plan are not the assets of RIAC, and RIAC has no fiduciary responsibility; thus, they are not included in this financial statement.

Note 11. Other Post-Employment Benefits

Plan description:

RIAC contributes (for certain employees) to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the Rhode Island General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB System. The plan provides medical benefits to certain retired employees of participating employers, including RIAC.

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB system issues a stand-alone financial report. A copy can be obtained from the State of Rhode Island Controller's Office, 1 Capitol Hill, Providence, RI 02908.

Funding policy:

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

For fiscal year 2015, employers were required to contribute 6.75% of covered payroll. The employer required contribution rate is determined on an actuarially determined basis consistent with a funding approach outlined in the General Laws and as adopted by the OPEB System Board. RIAC fully funded its required contribution to the Plan for the years ended June 30, 2015, 2014 and 2013 which was \$53,098, \$50,767 and \$53,048, respectively.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 12. Risk Management

RIAC is self-insured for workers' unemployment. RIAC pays for unemployment claims as they are incurred. At June 30, 2015 and 2014 there are no material liabilities outstanding.

RIAC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God; and catastrophic events for which RIAC carries commercial insurance. Neither RIAC nor its insurers have settled any claims which exceeded RIAC's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

Note 13. Major Customers

For the years ended June 30, 2015 and 2014, approximately 16% of RIAC's revenue was derived from sales made to one customer. There were no accounts receivable from this customer as of June 30, 2015 and 2014.

RIAC has entered into Airport Use & Lease Agreements (Airline Agreements) with seven signatory airlines (including cargo). The term of the Airline Agreements originally extended through June 30, 2015, all of which were extended for a five-year renewal period by mutual written agreement in the current year. The Airline Agreements establish procedures for the annual adjustment of signatory airline terminal rental rates, apron rental rates and aircraft landing fees collected for the use and occupancy of terminal and airfield facilities. Rental rates are established based on estimated cost to operate, and at the end of each fiscal year, there is a reconciliation between RIAC and the signatory airlines.

Note 14. Contingencies

RIAC participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, RIAC may be required to reimburse the grantor government. As of June 30, 2015 and 2014, significant amounts of grant expenditures have not been audited by grantors, but RIAC believes that disallowed expenditures, if any, based on subsequent audits will not have a material adverse effect on the overall financial position of RIAC.

In addition, RIAC is also involved in certain other legal proceedings and claims that have arisen in the ordinary course of business. While the ultimate outcome of these legal proceedings cannot be predicted with certainty, management believes that their resolution will not have a material adverse effect on RIAC's financial statements.

In connection with these matters, RIAC has recorded estimated claims, judgments and other settlements totaling \$164,000 as of June 30, 2015 and 2014. Such amounts are included in liabilities for claims, judgments and other settlements in the accompanying statements of net position.

Required Supplementary Information

Rhode Island Airport Corporation

**Required Supplementary Information - unaudited
Schedule of RIAC's Proportionate Share of the Net Pension Liability
June 30, 2015**

	2015
Proportion of the net pension liability	0.1107314%
Proportionate share of the net pension liability	\$ 1,973,129
Covered employee payroll	\$ 750,686
Proportionate share of the net pension liability as a percentage of its covered employee payroll	262.84%
Plan fiduciary net position as a percentage of the total pension liability	58.60%

Rhode Island Airport Corporation

**Required Supplementary Information - unaudited
Schedule of RIAC's Contributions
Employee's Retirement System
June 30, 2015**

	2015
Statutorily determined contribution	\$ 175,135
Contributions in relation to the statutorily determined contribution	175,135
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 750,686
Contributions as a percentage of covered - employee payroll	23.33%

Supplementary Information

State of Rhode Island Presentation - Statement of Net Position
June 30, 2015

RIAC

		RIAC
Assets		
Current Assets		
Cash and cash equivalents	\$	28,422,984
Investments		-
Receivables (net)		2,935,055
Restricted assets:		
Cash and cash equivalents		22,840,954
Investments		11,704,229
Receivables (net)		1,581,901
Other assets		92,906
Due from primary government		-
Due from other component units		-
Due from other governments		18,065,238
Inventories		-
Other assets		545,331
Total current assets		<u>86,188,598</u>
Noncurrent Assets		
Investments		-
Receivables (net)		504,295
Restricted assets:		
Cash and cash equivalents		38,490,872
Investments		-
Receivables (net)		-
Other assets		-
Due from other component units		-
Capital assets - nondepreciable		98,051,453
Capital assets - depreciable (net)		459,399,290
Other assets, net of amortization		1,388,620
Total noncurrent assets		<u>597,834,530</u>
Total assets		<u>684,023,128</u>
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives		-
Deferred amounts on refunding		4,778,194
Other deferred outflows of resources		175,135
Total deferred outflows on refunding		<u>4,953,329</u>
Liabilities		
Current Liabilities		
Cash overdraft		-
Accounts payable		8,183,119
Due to primary government		-
Due to other component units		-
Due to other governments		-
Unearned revenue		298,563
Other liabilities		14,499,863
Current portion of long-term debt		11,122,731
Total current liabilities		<u>34,104,276</u>
Noncurrent Liabilities		
Due to primary government		495,000
Due to other component units		1,380,023
Due to other governments		-
Net pension liability		1,973,129
Net OPEB obligation		-
Unearned revenue		-
Notes payable		41,540,891
Loans payable		-
Obligations under capital leases		-
Compensated absences		-
Other liabilities		-
Bonds payable		281,984,371
Total noncurrent liabilities		<u>327,373,414</u>
Total liabilities		<u>361,477,690</u>
Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives		-
Deferred amounts on refunding		-
Other deferred inflows of resources		172,785
Total deferred inflows of resources		<u>172,785</u>
Net Position		
Net investment in capital assets		247,477,611
Restricted for:		
Debt		-
Other		39,487,513
Nonexpendable		-
Unrestricted		40,360,858
Total net position	\$	<u><u>327,325,982</u></u>

State of Rhode Island Presentation - Statement of Activities
For the Year Ended June 30, 2015

	RIAC
Expenses	<u>\$ 87,291,433</u>
Program Revenues	
Charges for services	68,485,866
Operating grants and contributions	-
Capital grants and contributions	<u>45,195,317</u>
Total program revenues	<u>113,681,183</u>
Net (expenses) revenues	<u>26,389,750</u>
General Revenues	
Interest and investment earnings	134,948
Miscellaneous revenue	<u>414,978</u>
Total general revenue	<u>549,926</u>
Special Items	-
Extraordinary Items	<u>-</u>
Change in net position	<u>26,939,676</u>
Total net position - beginning, as restated	<u>300,386,306</u>
Total net position - ending	<u><u>\$ 327,325,982</u></u>

**State of Rhode Island Presentation - Schedule of Maturities - Bonds
For the Year Ended June 30, 2015**

Fiscal Year Ending June 30,	Principal	Interest
2016	\$ 10,843,000	\$ 14,199,826
2017	14,742,000	11,586,440
2018	15,288,000	11,089,335
2019	15,887,000	10,541,367
2020	16,484,000	9,857,480
2021-2025	88,192,000	39,932,960
2026-2030	75,919,000	22,412,643
2031-2035	34,769,213	8,435,512
2036-2040	15,315,000	1,595,687
	<u>\$ 287,439,213</u>	<u>\$ 129,651,250</u>

State of Rhode Island Presentation - Schedule of Maturities - Note Payable
For the Year Ended June 30, 2015

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	<u>\$ 45,409</u>	<u>\$ 472</u>

**State of Rhode Island Presentation - Schedule of Maturities - TIFIA Payable
For the Year Ended June 30, 2015**

Fiscal Year Ending June 30,	Principal	Interest
2016	\$ -	\$ 2,185,051
2017	-	2,185,051
2018	440,043	2,625,094
2019	463,190	2,625,094
2020	487,553	2,625,094
2021-2025	2,850,512	10,366,287
2026-2030	3,683,323	9,442,147
2031-2035	4,759,448	8,366,024
2036-2040	18,644,093	6,031,791
2041-2042	10,212,729	812,668
	\$ 41,540,891	\$ 47,264,301

State of Rhode Island Presentation - Schedule of Changes in Long-Term Debt
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ 284,964,795	\$ 61,104,418	\$ 58,630,000	\$ 287,439,213	\$ 10,842,322	\$ 276,596,891
Net Unamortized Premium/Discount	6,809,488	-	1,422,008	5,387,480	-	5,387,480
Bonds payable	291,774,283	61,104,418	60,052,008	292,826,693	10,842,322	281,984,371
Notes Payable	151,247	-	105,838	45,409	45,409	-
Loans Payable	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-
Net OPEB Obligation	-	-	-	-	-	-
Net Pension Liability	-	2,167,323	194,194	1,973,129	-	1,973,129
Due to Primary Government	2,020,000	-	1,525,000	495,000	-	495,000
Due to Component Units	-	1,615,023	-	1,615,023	235,000	1,380,023
Due to Other Governments and Agencies	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Compensated Absences	-	-	-	-	-	-
Included in Other Liabilities						
Arbitrage rebate	-	-	-	-	-	-
Pollution remediation	-	-	-	-	-	-
Items not listed above	41,540,891	-	-	41,540,891	-	41,540,891
Other liabilities	41,540,891	-	-	41,540,891	-	41,540,891
	\$ 335,486,421	\$ 64,886,764	\$ 61,877,040	\$ 338,496,145	\$ 11,122,731	\$ 327,373,414

Rhode Island Airport Corporation

Schedule of Travel & Entertainment Expenses
For the Year Ended June 30, 2015

Employee	Purpose	Date	Place		
R Stella	AAAE Accreditation Academy	7/6/14 to 7/12/14	Arlington, VA	\$	1,748
P McDonough	NEC/AAAE Annual Conference	8/9/14 to 8/13/14	Buffalo, NY		1,287
K Fredericks	NEC/AAAE Annual Conference	8/10/14 to 8/12/14	Buffalo, NY		1,008
K Fredericks	Airline Visit	8/14/2014	Nantucket, MA		719
D Meadows	Glycol Facility Visit	8/18/14 to 8/21/14	Portland, OR		1,749
D Nettleton	Glycol Facility Visit	8/18/14 to 8/21/14	Portland, OR		2,026
L Allen	Crouse Hinds Airfield Lighting	9/9/14 to 9/12/14	Windsor Locks, CT		467
N Shmaruk	Crouse Hinds Airfield Lighting	9/9/14 to 9/11/14	Windsor Locks, CT		422
P Goldstein	2014 World Routes	9/20/14 to 9/23/14	Chicago, IL		1,445
T Pimental	2014 World Routes	9/20/14 to 9/23/14	Chicago, IL		1,342
L Messier	ALEAN Fall Conference	9/21/14 to 9/25/14	Las Vegas, NV		1,463
J Ottaviano	ALEAN Fall Conference	9/22/14 to 9/24/14	Las Vegas, NV		1,008
J Amorin	South Carolina Fire Academy	9/29/14 to 10/3/14	Columbia, SC		859
D Porter	Airport Noise Mitigation Symposium	10/5/14 to 10/7/14	Fort Lauderdale, FL		575
P King	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		943
J Nielson	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		1,010
L Walsh	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		1,122
D Lucas	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		291
K Fredericks	NASAO Meeting	10/30/2014	Washington, DC		340
Various	Rhode Island Aviation Hall of Fame Dinner	11/22/2014	Cranston, RI		375
Various	Greater Providence Chamber of Commerce 2014 Annual Meeting	11/24/2014	Providence, RI		1,350
P Frazier	Legislative EDS Meeting	12/4/2014	Washington, DC		496
K Fredericks	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		4,920
P Goldstein	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,434
T Pimental	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,529
S Avedisian	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,183
M Valois	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,363
J Savage	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,363
J Bennett	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,427
M Byrne	Meeting with Shannon Airport	12/11/14 to 12/12/14	Shannon, Ireland		236
Various	Community Outreach Meeting	1/14/2015	Warwick, RI		629
D Lucas	NBAA Schedulers & Dispatchers National Conference	2/3/15 to 2/6/15	San Jose, CA		1,442
B Schattle	AAAE Airport Finance Conference	2/8/15 to 2/10/15	Miami, FL		911
Various	Greater Providence Chamber of Commerce Legislative Luncheon	2/11/2015	Providence, RI		800
J Warcup	Bell Helicopter Training	2/24/15 to 2/25/15	Fort Worth, TX		818
K Fredericks	NASAO Board Meeting	2/26/15 to 2/27/15	Washington, DC		553
J Brolin	30th Annual Symposium Noise/Air Quality	2/28/15 to 3/4/15	Palm Springs, CA		1,484
P Frazier	Legislative EDS Meeting	3/4/2015	Washington, DC		555
B Schattle	Airline Visit	3/25/15 to 3/26/15	Dallas, TX		711
T Pimental	Airline Visit	3/25/15 to 3/26/15	Dallas, TX		711
K Fredericks	Airline Visit	3/25/15 to 3/26/15	Dallas, TX		1,650
B Schattle	Airline Visit	4/1/15 to 4/2/15	Dallas, TX		864
T Pimental	Airline Visit	4/1/15 to 4/2/15	Dallas, TX		859
K Fredericks	Airline Visit	4/1/15 to 4/2/15	Dallas, TX		1,854
M Chiarizio	South Carolina Fire Academy	4/5/15 to 4/10/15	Columbia, SC		1,007
P Cusick	Snow Symposium	4/17/15 to 4/23/15	Buffalo, NY		1,838
D Stubbs	Windows Server Training	4/17/15 to 5/3/15	Atlanta, GA		1,561
S Kelley	Snow Symposium	4/18/15 to 4/22/15	Buffalo, NY		564
K Kilty	Snow Symposium	4/18/15 to 4/22/15	Buffalo, NY		1,062
L Messier	ALEAN Spring Conference	4/19/15 to 4/22/15	Arlington, VA		1,418
D Ray	ALEAN Spring Conference	4/20/15 to 4/22/15	Arlington, VA		1,058
E Seabury	ACI-NA Airport Construction Summit	4/28/15 to 4/30/15	Ft. Lauderdale, FL		832
T Pimental	Airline Visit	4/29/2015	New York, NY		367
B Schattle	Airline Visit	4/29/2015	New York, NY		415
P Goldstein	Airline Visit	4/29/2015	New York, NY		364
K Fredericks	Airline Visit	4/29/2015	New York, NY		457
J Brolin	ACI-NA Deicing Management Conference	5/18/15 to 5/20/15	Arlington, VA		901
K Fredericks	Bond Meeting	5/21/2015	New York, NY		292
B Schattle	Bond Meeting	5/21/2015	New York, NY		334
N Williams	Bond Meeting	5/21/2015	New York, NY		292
K Fredericks	Airline Visit	5/29/2015	Atlanta, GA		868
B Schattle	Airline Visit	5/29/2015	Atlanta, GA		540
T Pimental	Airline Visit	5/29/2015	Atlanta, GA		557
P McDonough	NEC Annual Conference	6/5/15 to 6/11/15	Philadelphia, PA		1,936
K Fredericks	87th Annual AAEE Conference	6/6/15 to 6/10/15	Philadelphia, PA		1,817
A Shihadeh	AAAE Annual Conference	6/6/15 to 6/11/15	Philadelphia, PA		1,618
J Nielson	AAAE National Conference	6/7/15 to 6/10/15	Philadelphia, PA		1,254
J Warcup	National Transportation Safety Board Training	6/14/15 to 6/19/15	Ashburn, VA		1,089
Various	NBAA Regional Forum	6/25/2015	Teterboro, NJ		656
Various	Employee Trips to Block Island	7/1/14 to 6/30/15	Block Island, RI		2,638
Various	Board Meeting Expenses	7/1/14 to 6/30/15	Warwick, RI		1,948
Various	GA Working Group Meetings	7/1/14 to 6/30/15	Warwick, RI		841
Various	Employee Meetings and Functions	7/1/14 to 6/30/15	Warwick, RI		6,291
Various	Business Meeting Expenses	7/1/14 to 6/30/15	Warwick, RI		11,319
Various	Snow Meals	7/1/14 to 6/30/15	Warwick, RI		10,885
Various	Mileage, Parking, Tolls & Gas Reimbursement	7/1/14 to 6/30/15	Warwick, RI		6,629
Various	Miscellaneous Amounts under \$200	7/1/14 to 6/30/15	Warwick, RI		2,214
				\$	<u>115,203</u>

**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**



**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**

Independent Auditor's Report

To the Board of Directors
Rhode Island Airport Corporation
Warwick, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, and the related notes to the financial statements as of and for the year ended June 30, 2015, which collectively comprise the RIAC's basic financial statements, and have issued our report thereon dated September 30, 2015. Our report includes an emphasis of a matter paragraph because of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and its amendment, GASB Statement No. 71.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIAC's financial statements are free from 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 RIAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP".

New Haven, Connecticut
September 30, 2015