

Airport Authority of the City of Lincoln, Nebraska

Independent Auditor's Report and Financial Statements

June 30, 2015 and 2014



**Airport Authority of the City of
Lincoln, Nebraska
June 30, 2015 and 2014**

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Independent Auditor's Report

Board of Directors
Airport Authority of the City
of Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Airport Authority of the City of Lincoln, Nebraska (the Authority), which are comprised of balance sheets as of June 30, 2015 and 2014, and statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, which consists of the schedules of cash and investments and changes in account balances; operating revenues; direct operating expenses; indirect operating expenses; and the schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Lincoln, Nebraska
September 18, 2015

Management's Discussion and Analysis June 30, 2015 and 2014

The following discussion and analysis of the financial performance and activity of the Airport Authority of the City of Lincoln, Nebraska (LAA) is to provide an introduction and overview that users need to interpret the financial statements of LAA for the fiscal years ended June 30, 2015 and 2014, with selected comparative information for the fiscal year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follows this section.

LAA's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. LAA operates as a special purpose political subdivision of the State of Nebraska engaged in business-type activities. Tenants and other users of LAA's facilities and services provide the revenues to operate and maintain LAA's facilities.

LAA's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows for the year then ended. These statements provide information about the activities of LAA, including resources held by LAA but restricted for specific purposes by creditors, contributors, or enabling legislation.

The balance sheets and the statements of revenues, expenses and changes in net position report information about LAA's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report LAA's net position and changes in it. LAA's total net position – the difference between assets and liabilities – is one measure of LAA's financial health or financial position. Over time increases or decreases in LAA's net position are an indicator of whether its financial health is improving or deteriorating.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The LAA Board of Directors has retained staff to operate and manage the daily affairs and all of the assets of the Lincoln Airport Authority.

Airport Activity and Financial Highlights

The Airport presently encompasses an area of approximately 5,500 acres and is located approximately five miles northwest of downtown Lincoln, Nebraska (the City). Interstates 80 and 180 and U.S. Highway 34 border the Airport. The Airport, classified by the Federal Aviation Administration (FAA) as a non-hub airport, is the principal air carrier airport serving the City, Lancaster County and surrounding communities in close proximity to the City. The most current available passenger information is based on a calendar year comparison and is not available for a fiscal year comparison.

	Calendar Year			Percent Variance	
	2014	2013	2012	2014 / 2013	2013 / 2012
Enplaned passengers	143,944	141,584	134,772	1.67%	5.05%
Aircraft operations					
Air carrier	7,166	6,391	6,701	12.13%	-4.63%
Air taxi	5,448	5,625	5,035	-3.15%	11.72%
General aviation	31,207	32,326	38,343	-3.46%	-15.69%
Military	10,027	12,282	14,237	-18.36%	-13.73%
Total operations	<u>53,848</u>	<u>56,624</u>	<u>64,316</u>	<u>-4.90%</u>	<u>-11.96%</u>

Most passengers begin or end their travel in the City rather than connecting for flights to other communities. While airline service continues to be a challenge due to Lincoln's proximity to Omaha's Eppley Airfield, calendar year 2014 saw passenger numbers increase from the previous year. This can be attributed to a narrowing of the fare gap the airlines charge for flights from Lincoln compared to similar flights from Omaha. The increase can also be attributed to the addition of new service by Delta Airlines to their Atlanta hub which began in September 2014. Passenger numbers are expected to continue to trend upwards with the continuation of this service throughout 2015. Additionally, the economy of the Airport air trade area is growing and diversifying in a manner that will likely increase the local demand for air transportation services at the Airport.

Lincoln continues to be served by two air carriers providing daily service. United Airlines provides four flights a day to Chicago and three to four flights a day to Denver based on seasonal adjustments. Delta continues to provide three flights a day to Minneapolis and, as noted above, began one flight per day service to Atlanta in September 2014. The Atlanta service is supported by a Department of Transportation Small Community Air Service Grant of \$750,000. LAA's goal was to not require the use of the grant funds, but rather through positive load factors ensure profitability for Delta and service beyond the grant period. With an average load factor of seventy-five percent LAA has a recorded obligation of approximately \$490,000 related to this new service as of fiscal year end 2015. Delta's monthly operating reports have been showing a trend of reduced operating costs for this flight, which will positively impact the overall liability. Both carriers provide service through their regional airline affiliates utilizing 50, 66 and 76 seat regional jets. The Airport Authority continues to talk to airlines both currently serving Lincoln and those not serving Lincoln about adding service. As the economy continues to improve both locally and nationally, and the airlines respond with some additional capacity, we remain hopeful that additional service will be forth coming in the future.

The Authority reviews and establishes landing fees on an annual basis. In lieu of a landing fee for the fixed base operators and for general aviation purposes, the Authority adds 6 cents per gallon of fuel sold (flowage fee). These combined landing and flowage fees account for approximately 3% of operating revenues. The Nebraska Air National Guard operates from a base adjacent to and surrounded by the Airport and utilizes the Airport landing area under a joint-use agreement. The term of the agreement is for 10 years subject to periodic renewal. Military operations on the airfield continued to decrease in 2015 due to pavement rehabilitation that closed Runway 18/36 for four months. The Guard continues to provide the aircraft rescue and fire-fighting capabilities on the air field for both military and civilian operations in exchange for an annual sum of \$70,000.

Scheduled airlines operate in Lincoln under annual operating and lease agreements. The Airport Authority adjusts rates and charges for airline operations annually. Airline rates and charges for the noted calendar years are as follows:

	Calendar Year		
	2015	2014	2013
Landing fee (per 1,000 lbs.)	\$ 2.10	\$ 2.00	\$ 1.85
Terminal lease rates			
Finished space (per year)	\$33.71/sq. ft.	\$32.10/sq. ft.	\$30.00/sq. ft.
Unfinished space (per year)	\$25.84/sq. ft.	\$26.41/sq. ft.	\$23.00/sq. ft.
Loading bridge fees (per month)	\$ 945.00	\$ 900.00	\$ 900.00

The Authority has a professional services agreement with Standard Parking to operate the public parking facilities. This agreement expired June 30, 2015 and is currently extended on a month to month arrangement while the Authority completes a proposal process for future long-term parking management services. Standard Parking received an annual fee of approximately \$350,000 and \$300,000 for 2015 and 2014, respectively. The operation of such parking facilities generated annual gross receipts of approximately \$1,350,000 and \$1,100,000 in 2015 and 2014, respectively.

The Authority has nonexclusive agreements with Avis Rent A Car, Budget Rent A Car, Enterprise Rent-A-Car, National Car Rental and The Hertz Corporation to provide rental cars to the public at the airport. Rental car revenues increased from \$583,500 in fiscal year 2014 to \$613,500 in fiscal year 2015.

In addition to parking and rental car agreements, the Authority has entered into agreements with other concessionaires to provide services customarily found in an airport terminal complex, including food service, advertising displays and gift and newsstand services. The Authority has an agreement with Interspace Advertising, Inc., dba ClearChannel Airports, to operate the terminal advertising displays ending January 2017. The agreement calls for the payment of 30% of gross receipts with minimum annual payments of \$30,000. Air Host, Inc. provides terminal food services and a news and gift shop for a contract term ending October 31, 2016. The current concession agreement establishes minimum gross sales per year of \$620,000. If in any given contract year (10/1 thru 9/30) gross sales are equal to or above \$620,000, then Air Host pays a 6% commission on \$620,000, plus an 8% commission on sales between \$620,000 and \$800,000, and a 10% commission on any sales in excess of \$800,000. If however, in any given year that gross sales are less than \$620,000 (“Breakpoint Receipts”) there is a formula utilized whereby the Airport Authority pays Air Host an amount which makes them whole and keeps the operation from losing money in that year (“Breakpoint Payment”). In no event shall the Breakpoint Payment paid by the Airport Authority to Air Host be in excess of \$105,000. The Breakpoint Payment is calculated by subtracting actual gross receipts from the Breakpoint Receipts, dividing that by two and

subtracting from this figure 6% of actual gross receipts. For the 2014 and 2013 contract years, the Airport paid Air Host a Breakpoint Payment of approximately \$100,000 and \$90,000, respectively.

General aviation activity saw an increase in operational activity in the current year as Duncan Aviation, a fixed-base operator, completed the construction of their new maintenance and modification hangar in early 2014 and took full occupancy in the Fall of 2014.

Fixed-base operator, Silverhawk Aviation continues to show growth in the past year as well. Silverhawk recently announced an ownership change, however, they have expressed their desire to continue a long-term relationship with the Airport and are potentially looking to expand.

As part of a twenty-five year land lease, Resort Lifestyle Communities (RLC) completed construction of a 12,000 sq. ft. hangar facility in early 2015.

The Airport has 165 aircraft storage hangars available for general aviation use and 5 private corporate hangars. The airport continues to see 90% - 95% occupancy in these individual storage hangars or t-hangars. Other aircraft related industries such as the FAA, Department of Aeronautics and Transportation Security Administration (TSA) additionally occupy space in the general aviation area. Planning discussions have begun on an expansion of the general aviation area to the north within the next five years to be able to accommodate continued demand.

The LAA Board upon recommendation from the Industrial Park Board renamed Lincoln Air Park West, LNK Enterprise Park. LNK Enterprise Park is a vital component of the Airport. Part of the former U.S. Air Force Base, this industrial complex covers 1,400 acres. The industrial complex has buildings varying in size from 1,000 square feet to 110,000 square feet. Currently, the Authority has under lease approximately 97% of the 2,200,000 square feet available. These leases vary in length from month-to-month to 30 years and include a diverse base of users. The Authority also leases to other governmental agencies, on a year-to-year basis, and this income amounts to approximately \$650,000 (approximately 9%) per year of the industrial complex income, which totaled approximately \$7,330,000 in 2015, an increase of over 25% from 2014.

Overall activity in the industrial complex is experiencing a strong increase with several projects in various stages of activity. The Airport continues the development of the north acreage into four large rail-served industrial tracts. Infrastructure improvements to extend NW 38th Street being the largest physical change. Construction of a new facility for G.T. Exhaust has been completed and conversations continue about additional growth. Construction began in 2014 on a new 110,000 sq. ft. rail center building to be partially occupied by Hexagon Lincoln. At this time Hexagon Lincoln has partial occupancy of the North Bay of this building while LAA continues to look for a long term tenant for the remaining Bay.

Finally, the Airport Authority was selected by the State of Nebraska to construct a special purpose building to house the Nebraska State Patrol Crime Lab. Construction began on this project in early 2014 and is expected to be completed in October 2015. Some of the other entities leasing space from the Authority include Duncan Aviation, Van Sickle Paint, Plastic Companies, Hexagon Lincoln, Weathercraft, Daitron, Jacob North, Lincoln Industries, Sensory Effects, TMCO, Tri-Con and UNL. The balance of the tenant base in LNK Enterprise Park, formerly Lincoln Air Park West is stable with no major tenants leaving during the 2015 and 2014 fiscal years. The Authority believes that relationships with its lessees are good and the income received will continue into the future.

Overall, the Airport Authority's financial outlook remains strong, primarily due to its wide diversification both on the airfield, split between airlines and a strong general aviation community, and in the industrial park with a wide variety of unrelated industries occupying space and in many cases growing.

The following condensed financial statements summarize the financial position of the Authority as of June 30, 2015, 2014 and 2013 and its activities for the years then ended:

Condensed Balance Sheets

	June 30			Variance			
	2015	2014	2013	2015 / 2014		2014 / 2013	
				Dollars	Percent	Dollars	Percent
Current assets	\$ 10,654,194	\$ 8,945,093	\$ 8,912,111	\$ 1,709,101	19.11%	\$ 32,982	0.37%
Capital assets	106,002,902	80,814,880	65,359,682	25,188,022	31.17%	15,455,198	23.65%
Restricted cash and cash equivalents	7,862,208	5,627,779	998,555	2,234,429	39.70%	4,629,224	463.59%
Total assets	\$ 124,519,304	\$ 95,387,752	\$ 75,270,348	\$ 29,131,552	30.54%	\$ 20,117,404	26.73%
Current liabilities	\$ 31,283,682	\$ 5,708,173	\$ 3,566,489	\$ 25,575,509	448.05%	\$ 2,141,684	60.05%
Noncurrent liabilities	31,589,522	32,268,849	13,404,057	(679,327)	-2.11%	18,864,792	140.74%
Total liabilities	62,873,204	37,977,022	16,970,546	24,896,182	65.56%	21,006,476	123.78%
Net investment in capital assets	52,263,467	49,662,204	51,252,584	2,601,263	5.24%	(1,590,380)	-3.10%
Restricted for debt service	1,530,071	1,460,080	611,404	69,991	4.79%	848,676	138.81%
Restricted for other purposes	-	-	1,001	-	0.00%	(1,001)	-100.00%
Unrestricted	7,852,562	6,288,446	6,434,813	1,564,116	24.87%	(146,367)	-2.27%
Total liabilities and net position	\$ 124,519,304	\$ 95,387,752	\$ 75,270,348	\$ 29,131,552	30.54%	\$ 20,117,404	26.73%

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30			Variance			
	2015	2014	2013	2015 / 2014		2014 / 2013	
				Dollars	Percent	Dollars	Percent
Operating revenue							
Airport revenue	\$ 12,971,172	\$ 11,142,126	\$ 10,179,722	\$ 1,829,046	16.42%	\$ 962,404	9.45%
Total operating revenue	12,971,172	11,142,126	10,179,722	1,829,046	16.42%	962,404	9.45%
Operating expenses							
Direct operating expenses	10,385,007	10,417,088	9,279,276	(32,081)	-0.31%	1,137,812	12.26%
Indirect operating expenses	5,084,292	4,440,210	4,184,122	644,082	14.51%	256,088	6.12%
Total operating expenses	15,469,299	14,857,298	13,463,398	612,001	4.12%	1,393,900	10.35%
Operating loss	(2,498,127)	(3,715,172)	(3,283,676)	1,217,045	32.76%	(431,496)	-13.14%
Net nonoperating revenues	852,166	403,227	200,573	448,939	111.34%	202,654	101.04%
Capital contributions	5,881,331	2,422,873	2,016,078	3,458,458	142.74%	406,795	20.18%
Change in net position	\$ 4,235,370	\$ (889,072)	\$ (1,067,025)	\$ 5,124,442	576.38%	\$ 177,953	16.68%

In comparing fiscal year 2014 to fiscal year 2015 and fiscal year 2013 to fiscal year 2014, the change in net position increased due primarily to an increase in operating revenues and capital contributions.

In fiscal year 2015, the Series 2014AB Bond Anticipation Notes (BANs) were issued to construct Building 1342 for the Nebraska State Patrol's Crime Lab, Building 96 Rail Center which is partially occupied by Hexagon Lincoln, Terminal building improvements and additional Air Park infrastructure. Moody's assigned a MIG 1 rating to the 2014 BANs and reaffirmed the Aa1 rating on the 2013 bonds. 2014CD Bonds series were issued to refund 2009B Bonds and provide additional funding for the G. T. Exhaust facility.

In fiscal year 2014, the 2013ABC Bond were issued to construct a building to be leased to Sadoff Iron and Metal, construct a building to be leased to G.T. Exhaust, Inc., and construct various infrastructure improvements to the Authority's Lincoln Air Park West Industrial Park, now called LNK Enterprise Park. In addition, a portion of the proceeds of the Series 2013 Bonds were used, together with other available moneys of the Authority, for the purpose of redeeming and refunding the Authority's outstanding Series 2007A, 2007B and 2009A Bonds during the bond issuance process. Moody's assigned an Aa1 rating to the 2013 bonds.

Normal depreciation was taken on capital assets during fiscal years 2014 and 2015. As of June 30, 2015, the Authority has commitments under construction in the amount of \$7,600,000 as compared to \$35,000,000 at June 30, 2014. The majority of these commitments are being funded by bond proceeds or federal grants.

There was an increase to landing fee rates in fiscal year 2015 causing a slight increase in annual revenue between 2014 and 2015. Effective January 1, 2014, the landing fee rate was increased from \$2.00 per 1,000 pounds to \$2.10 per 1,000 pounds.

During fiscal year 2014 and 2015, terminal area revenues experienced an increase due to an adjustment in terminal rental rates and an increase in parking revenue.

Revenues in the General aviation area increased in fiscal year 2014 and 2015 due to hangar rental rate adjustments and increased rental revenue from other tenants.

Revenues in LNK Enterprise Park, formerly Lincoln Air Park West, increased in fiscal year 2015 due to completed capital construction and rental rate adjustments with existing tenants. The most significant increase attributed to G. T. Exhaust occupancy and subsequent rent of their new facility. Revenues in Lincoln Air Park West increased in fiscal year 2014 due to increased occupancy and rental rate adjustments with existing tenants.

Federal grant income from capital grants increased from approximately \$2,400,000 in 2014 to \$5,500,000 in 2015. Federally eligible projects included Runway 18/36 design and rehabilitation work and Runway 14/32 sealcoat work.

Landing field expenses remained relatively flat year over year with a slight decrease.

In 2014 and 2015, terminal area costs increased due to the Airport's entrance landscaping project and the salaries associated with ongoing terminal projects and utilities.

General aviation costs for fiscal year 2014 were slightly higher than 2015 due to the costs associated with issuing and paying for debt on capital expenditures and employee salaries and benefits.

Lincoln Air Park West, now LNK Enterprise Park, costs for fiscal year 2014 increased significantly due to the costs associated with issuing debt and interest expense to fund capital expenditures. During fiscal year 2015, LNK Enterprise Park expenses decreased greatly due to less interest expense and bond issuance costs.

Public safety expenses are those associated with having a responsibility to provide a police department, a communications center and crash, fire and rescue services. In fiscal year 2014 and 2015, public safety related costs have trended upwards due to workers compensation insurance expense for employees and contracted police officers and salary related expenses.

In 2014 and 2015, service equipment expenses increased primarily due to repair and maintenance and equipment insurance expenses. The Airport utilizes mostly its own employees to maintain service equipment.

General and administrative expenses increased primarily due to approximately \$596,000 for a revenue guarantee and increased marketing expenses related to the Delta Airlines Atlanta flight which began in September 2014. The revenue guarantee liability is covered entirely by the federal grant income from the Small Community Air Service Development Grant, and \$50,000 of the increased marketing costs are covered by contributions from local individuals and organizations.

The Authority plans to fund ongoing capital improvements from contributed capital (Federal & State Grants) or from moneys available in its Capital Improvement Fund. The following capital improvement projects were considered acceptable for future federal project application:

1. Rehabilitate Runway 14-32
2. Runway 18/36 Lights & Vault
3. Replace Snow Removal Plows and/or Runway Sweeper/Blowers
4. Airport Master Plan
5. Terminal Ramp Rehabilitation – Phase II
6. Develop/Expand General Aviation Selective Repair Runway 17-35 Support Facilities

The Airport Authority remains on a sound financial footing. Modernizing and redeveloping the Airport Industrial Park will position the park to recruit new tenants and create new jobs for the Lincoln area. The recent new tenants mentioned previously are an indication of the positive effects of the improvements. This financial report is designed to provide the Airport's management, creditors, customers and citizens with a general view of LAA's finances and to demonstrate LAA's accountability for the funds it receives and expends. For additional information about this report or, if you need additional financial information, please contact:

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Airport Authority of the City of Lincoln, Nebraska

Balance Sheets June 30, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 7,158,174	\$ 5,618,374
Investments	2,241,000	2,250,736
Accounts receivable, net	327,302	332,950
Grants receivable	555,025	367,306
Prepaid expenses	372,693	375,727
Total current assets	10,654,194	8,945,093
Restricted Cash and Cash Equivalents	7,862,208	5,627,779
Capital Assets, At Cost, Net of Accumulated Depreciation	106,002,902	80,814,880
Total assets	\$ 124,519,304	\$ 95,387,752

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 4,426,754	\$ 2,956,613
Current maturities of long-term debt	1,530,000	1,460,000
Bond anticipation notes	24,089,755	-
Unearned revenue	666,579	700,698
Interest payable	570,594	590,862
Total current liabilities	31,283,682	5,708,173
Noncurrent Liabilities		
Long-term debt	30,680,000	31,180,000
Compensated absences	313,068	356,426
Unearned revenue	596,454	732,423
Total noncurrent liabilities	31,589,522	32,268,849
Total liabilities	62,873,204	37,977,022
Net Position		
Net investment in capital assets	52,263,467	49,662,204
Restricted for debt service	1,530,071	1,460,080
Unrestricted	7,852,562	6,288,446
Total net position	61,646,100	57,410,730
Total liabilities and net position	\$ 124,519,304	\$ 95,387,752

**Airport Authority of the City of
Lincoln, Nebraska**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Landing field	\$ 455,837	\$ 447,154
Terminal	2,942,230	2,722,818
General aviation	2,081,299	1,989,515
Air Park West	7,334,434	5,838,344
Air Park South	157,372	144,295
	<u>12,971,172</u>	<u>11,142,126</u>
Total operating revenues		
Direct Operating Expenses		
Landing field	1,032,650	1,055,679
Terminal	2,269,012	2,085,493
General aviation	416,282	454,973
Air Park West	1,369,857	1,685,310
Air Park South	55,433	45,606
Depreciation	5,241,773	5,090,027
	<u>10,385,007</u>	<u>10,417,088</u>
Total direct operating expenses		
Operating Income After Direct Expenses	<u>2,586,165</u>	<u>725,038</u>
Indirect Operating Expenses		
Public safety	1,417,406	1,378,738
Service equipment	528,292	501,986
General and administrative	2,664,764	2,093,885
Depreciation	473,830	465,601
	<u>5,084,292</u>	<u>4,440,210</u>
Total indirect operating expenses		
Operating Loss	<u>(2,498,127)</u>	<u>(3,715,172)</u>
Nonoperating Revenues		
Investment income	15,092	11,309
Farm income, net of expense	217,210	211,176
Gain on sale of assets	29,059	43,958
Insurance proceeds	-	79,682
Federal grants	486,911	-
Other	103,894	57,102
	<u>852,166</u>	<u>403,227</u>
Total nonoperating revenues		
Decrease in Net Position Before Capital Grants	<u>(1,645,961)</u>	<u>(3,311,945)</u>
Capital Grants		
State & local grants	363,564	46,475
Federal grants	5,517,767	2,376,398
	<u>5,881,331</u>	<u>2,422,873</u>
Total capital grants		
Increase (Decrease) in Net Position	4,235,370	(889,072)
Net Position, Beginning of Year	<u>57,410,730</u>	<u>58,299,802</u>
Net Position, End of Year	<u>\$ 61,646,100</u>	<u>\$ 57,410,730</u>

**Airport Authority of the City of
Lincoln, Nebraska
Statements of Cash Flows
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Activities		
Cash received from providing services	\$ 12,812,240	\$ 11,165,445
Cash paid to suppliers	(4,316,849)	(4,125,416)
Cash paid to employees	(4,593,053)	(4,162,633)
Interest paid	<u>(1,356,263)</u>	<u>(790,618)</u>
Net cash provided by operating activities	<u>2,546,075</u>	<u>2,086,778</u>
Noncapital Financing Activities		
Other receipts	<u>103,894</u>	<u>57,102</u>
Net cash provided by noncapital financing activities	<u>103,894</u>	<u>57,102</u>
Capital and Related Financing Activities		
Purchase of property and equipment	(29,041,160)	(20,005,577)
Proceeds from issuance of long-term debt	25,174,305	20,330,000
Capital grants received	6,180,523	2,099,557
Principal payments on long-term debt	(1,460,000)	(560,000)
Proceeds from sale of equipment	28,554	50,996
Insurance proceeds	<u>-</u>	<u>79,682</u>
Net cash provided by capital and related financing activities	<u>882,222</u>	<u>1,994,658</u>
Investing Activities		
Proceeds from sale of investments	1,503,736	2,744,000
Purchases of investments	(1,494,000)	(2,250,736)
Farm income	217,210	211,176
Interest received on investments	<u>15,092</u>	<u>11,310</u>
Net cash provided by investing activities	<u>242,038</u>	<u>715,750</u>
Increase in Cash and Cash Equivalents	3,774,229	4,854,288
Cash and Cash Equivalents, Beginning of Year	<u>11,246,153</u>	<u>6,391,865</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,020,382</u>	<u>\$ 11,246,153</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheets		
Cash and cash equivalents	\$ 7,158,174	\$ 5,618,374
Restricted cash and cash equivalents	<u>7,862,208</u>	<u>5,627,779</u>
	<u>\$ 15,020,382</u>	<u>\$ 11,246,153</u>

Airport Authority of the City of Lincoln, Nebraska

Statements of Cash Flows - Continued Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (2,498,127)	\$ (3,715,172)
Items not requiring cash		
Depreciation	5,715,603	5,555,628
Amortization of premium on bond anticipation notes	(54,045)	-
Capitalized interest included in capital asset additions	(750,755)	(324,512)
Changes in operating assets and liabilities		
Accounts receivable	5,648	41,092
Prepaid expenses	3,034	(18,958)
Accounts payable and accrued expenses	315,073	192,858
Unearned revenue	(170,088)	(13,509)
Interest payable	(20,268)	369,351
Net Cash Provided by Operating Activities	\$ 2,546,075	\$ 2,086,778
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 3,201,223	\$ 2,089,513
Refunding of revenue bond principal	\$ 3,045,000	\$ -

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2015 and 2014

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

Nature of Operations

The Airport Authority of the City of Lincoln, Nebraska (Authority) was created pursuant to Nebraska State Law on February 25, 1959. The affairs of the Authority are conducted by a Board whose members are elected by citizens of the City.

Operating income is generated primarily from terminal, general aviation and industrial park areas pursuant to lease agreements which are recognized on the operating method. As leasing operations comprise a significant portion of the Authority's revenues, costs and expenses directly related to leasing activities are included in their respective category within operating expenses. The Authority does not receive any property tax revenue.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported balance sheet amounts and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, cash equivalents consisted primarily of money market funds and investment pool funds.

**Airport Authority of the City of
Lincoln, Nebraska
Notes to Financial Statements
June 30, 2015 and 2014**

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Investments and Investment Income

All investments are carried at fair value. Fair value is determined using quoted market prices.

Fair value of the equity in the External Investment Pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

Investment income includes dividend and interest income.

Accounts Receivable

Accounts receivable consist of amounts owed from airlines, rental car companies, tenants and other operators. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are charged off as they are deemed uncollectible. Management does not believe an allowance for doubtful accounts is necessary at June 30, 2015 and 2014.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following useful lives are being used by the Authority:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 20 years
Runways	5 - 30 years

For taxable borrowings, the Authority capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. For tax-exempt borrowings, the Authority capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest incurred was:

	<u>2015</u>	<u>2014</u>
Interest costs capitalized	\$ 750,755	\$ 324,512
Interest costs charged to expense	<u>530,690</u>	<u>835,457</u>
Total interest incurred	<u>\$ 1,281,445</u>	<u>\$ 1,159,969</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Grants

Certain outlays for airport capital improvements involve significant federal funding through the Airport Improvement Program of the Federal Aviation Administration (FAA). Capital and other funding provided under government grants is considered earned as the related approved outlays are incurred. Costs claimed from reimbursement are subject to audit and acceptance by the granting agency.

Compensated Absences

Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, partially, as a cash payment. The Authority also has a deferred compensation program for management employees, which accrues as service is provided. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned up to a certain percentage to the extent the employee is expected to realize the benefit in cash upon retirement or death. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Unearned Revenue

Unearned revenue consists primarily of rental payments received in advance and lump-sum payments made by tenants, which relate to future year commitments. The Authority recorded unearned revenue of \$1,263,033 and \$1,433,121, for the years ended June 30, 2015 and 2014, respectively.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Position Classification - Continued

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Authority’s deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities having an aggregate value at least equal to the amount of the deposits.

The Authority’s cash deposits, including certificates of deposit, are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a pledge account for the Authority.

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in repurchase agreements collateralized by U.S. Treasury securities and U.S. government agencies. It may also invest to a limited extent in municipal bonds.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2015 and 2014

Note 2: Deposits, Investments and Investment Income – Continued

Investments - Continued

At June 30, 2015 and 2014, the Authority had the following investments:

	Fair Value	Maturities in Years		Credit Rating Moody's / S&P
		Less Than 1	1 - 5	
June 30, 2015				
Cash held at trustee	\$ 1,587,101	\$ 1,587,101	\$ -	N/A
Negotiable certificates of deposit	2,241,000	2,241,000	-	Not rated
Government securities money market funds	7,356,695	7,356,695	-	Aaa-mf/AAAm
	<u>\$ 11,184,796</u>	<u>\$ 11,184,796</u>	<u>\$ -</u>	

	Fair Value	Maturities in Years		Credit Rating Moody's / S&P
		Less Than 1	1 - 5	
June 30, 2014				
Cash held at trustee	\$ 1,647,755	\$ 1,647,755	\$ -	N/A
External investment pool	2,740,282	2,740,282	-	N/A
Negotiable certificates of deposit	747,000	747,000	-	Not rated
Government securities money market funds	5,048,099	5,048,099	-	Aaa-mf/AAAm
	<u>\$ 10,183,136</u>	<u>\$ 10,183,136</u>	<u>\$ -</u>	

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires that market conditions and investment securities be monitored to determine the maximum yield that can be obtained while minimizing the impact of rising interest rates. The government securities money market funds and external investment pool are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to limit its investments in municipal bonds to the top two ratings issued by nationally recognized statistical rating authorities.

Credit ratings of the external investment pool are not available, however, the pool is invested in U.S. agency obligations.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2015 and 2014

Note 2: Deposits, Investments and Investment Income - Continued

Investments - Continued

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Negotiable certificates of deposit are held in the custodian's name for the benefit of the Authority.

Concentration of Credit Risk - The Authority's investment policy places no limit on the amount that may be invested in any one issuer. At June 30, 2015 and 2014, \$6,275,107 and \$3,980,023, respectively, of the money market funds are held with one financial depository. In addition, all of the Authority's cash held at trustee at June 30, 2015 and 2014, was held with this financial depository. This financial depository also serves as the Trustee or Paying Agent for all of the Authority's bonded debt.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2015	2014
Deposits	\$ 6,076,586	\$ 3,313,753
Investments	11,184,796	10,183,136
	\$ 17,261,382	\$ 13,496,889

Included in the following balance sheet captions:

	2015	2014
Current assets		
Operations and maintenance fund	\$ (403,853)	\$ (103,158)
Employee pay flex	1,226	2,434
Revenue fund	1,084,794	459,784
Airport parking account	1,335,889	1,135,163
Capital improvement fund	1,210,716	233,644
Insurance fund	3,875,189	3,858,788
Airport CNG station fund	54,213	31,719
Total cash and cash equivalents	7,158,174	5,618,374
Investments - insurance fund	2,241,000	2,250,736

**Airport Authority of the City of
Lincoln, Nebraska**

**Notes to Financial Statements
June 30, 2015 and 2014**

Note 2: Deposits, Investments and Investment Income – Continued

Summary of Carrying Values - Continued

	2015	2014
Restricted cash and cash equivalents		
Airport bond funds	\$ 2,116,103	\$ 2,050,942
Airport bond project funds	5,746,105	3,576,837
Total restricted cash and cash equivalents	7,862,208	5,627,779
	\$ 17,261,382	\$ 13,496,889

Funds in the capital improvement fund are a result of monies transferred from the revenue fund and the airport parking account, which are to be used for improvements, extensions, betterments, renewals and replacements, payment of principal and interest on any subordinate indebtedness, purchase or redemption of bonds or for any other lawful purpose. The Authority has established an insurance fund for the purpose of self-insurance on losses on property damages not covered by insurance and environmental protection costs. Funds in the airport bond funds are to be applied solely for the purpose of paying the principal and interest on bonds when due.

Investment Income

Investment income was \$15,092 and \$11,309 for the years ended June 30, 2015 and 2014, respectively, and was comprised entirely of interest and dividend income.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2015 and 2014

Note 3: Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 was:

	2015				
	Beginning Balance	Additions	Less Retirements	Transfers	Ending Balance
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	122,477,511	8,588	-	19,530,334	142,016,433
Furniture and equipment	9,334,942	69,490	52,639	177,848	9,529,641
Runways	64,719,440	-	-	5,986,147	70,705,587
Construction in progress	17,200,024	30,825,547	-	(25,694,329)	22,331,242
	<u>216,082,104</u>	<u>30,903,625</u>	<u>52,639</u>	<u>-</u>	<u>246,933,090</u>
Less accumulated depreciation					
Buildings	76,658,593	3,951,430	-	-	80,610,023
Furniture and equipment	6,885,171	451,063	52,639	-	7,283,595
Runways	51,723,460	1,313,110	-	-	53,036,570
	<u>135,267,224</u>	<u>5,715,603</u>	<u>52,639</u>	<u>-</u>	<u>140,930,188</u>
Capital assets, net	<u>\$ 80,814,880</u>	<u>\$ 25,188,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,002,902</u>

	2014				
	Beginning Balance	Additions	Less Retirements	Transfers	Ending Balance
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	116,404,056	44,916	-	6,028,539	122,477,511
Furniture and equipment	8,571,422	742,583	146,836	167,773	9,334,942
Runways	61,294,280	-	-	3,425,160	64,719,440
Construction in progress	6,580,703	20,240,793	-	(9,621,472)	17,200,024
	<u>195,200,648</u>	<u>21,028,292</u>	<u>146,836</u>	<u>-</u>	<u>216,082,104</u>
Less accumulated depreciation					
Buildings	72,870,604	3,787,989	-	-	76,658,593
Furniture and equipment	6,565,842	448,699	129,370	-	6,885,171
Runways	50,404,520	1,318,940	-	-	51,723,460
	<u>129,840,966</u>	<u>5,555,628</u>	<u>129,370</u>	<u>-</u>	<u>135,267,224</u>
Capital assets, net	<u>\$ 65,359,682</u>	<u>\$ 15,472,664</u>	<u>\$ 17,466</u>	<u>\$ -</u>	<u>\$ 80,814,880</u>

Note 4: Bond Anticipation Notes

The Authority issued bond anticipation notes, Series 2014A and Series 2014B in August 2014 in the amounts of \$12,990,000 and \$11,070,000, respectively, to finance various capital projects. The Series 2014A and 2014B notes were issued at a premium and bear interest at 1.00% and 0.50%, respectively. The bond anticipation notes mature in December 2015, and the Authority intends to refinance the notes with long-term bonds before the stated maturity date.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2015 and 2014

Note 5: Long-Term Liabilities

The following is a summary of the terms and provisions of the Authority's long-term debt outstanding at June 30, 2015:

Type of Debt	Maturity	Interest Rates	Original Issue Amount	Date Callable	Outstanding at June 30, 2015
Airport Bonds					
Series 2010	July 2019	1.25% - 3.80%	\$ 2,435,000	July 2015	\$ 1,080,000
Series 2011A	July 2031	0.55% - 4.00%	1,150,000	Sept. 2016	995,000
Series 2012A	July 2042	0.30% - 4.00%	4,200,000	July 2017	4,000,000
Series 2013A	July 2033	0.75% - 4.00%	1,265,000	July 2018	1,200,000
Series 2013B	July 2029	0.75% - 3.75%	1,440,000	July 2018	1,360,000
Series 2013C	July 2033	0.64% - 5.01%	20,320,000	July 2018	19,500,000
Series 2014C	July 2029	2.00% - 3.00%	3,055,000	December 2019	3,055,000
Series 2014D	July 2029	2.90% - 4.00%	1,020,000	December 2019	1,020,000
					<u>\$ 32,210,000</u>

The following is a summary of long-term liability transactions for the Authority for the year ended June 30, 2015:

	2015				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Airport bonds	\$ 32,640,000	\$ 4,075,000	\$ 4,505,000	\$ 32,210,000	\$ 1,530,000
Compensated absences	630,426	401,064	509,422	522,068	209,000
Unearned revenue	1,433,121	531,032	701,120	1,263,033	666,579
Total long-term liabilities	<u>\$ 34,703,547</u>	<u>\$ 5,007,096</u>	<u>\$ 5,715,542</u>	<u>\$ 33,995,101</u>	<u>\$ 2,405,579</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2015 and 2014

Note 5: Long-Term Liabilities - Continued

The following is a summary of long-term liability transactions for the Authority for the year ended June 30, 2014:

	2014				Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
Airport bonds	\$ 12,870,000	\$ 23,025,000	\$ 3,255,000	\$ 32,640,000	\$ 1,460,000
Compensated absences	606,624	297,534	273,732	630,426	274,000
Unearned revenue	1,446,630	555,464	568,973	1,433,121	700,698
Total long-term liabilities	<u>\$ 14,923,254</u>	<u>\$ 23,877,998</u>	<u>\$ 4,097,705</u>	<u>\$ 34,703,547</u>	<u>\$ 2,434,698</u>

The basic resolutions authorizing the issuance of all the Airport Bonds require compliance with certain covenants and debt service coverage ratios. Management believes the Authority is in compliance with these requirements. The bonds are not general obligations of the City of Lincoln, Nebraska, but are general obligations of the Authority. The bonds are secured by a pledge of all revenues and income derived by the Authority directly or indirectly from the ownership, use, and operation of the Airport. The total principal and interest remaining to be paid on the bonds is \$45,907,777, with annual payments expected to require approximately 21 percent of net revenues. Principal and interest for the current year and net operating revenues were \$2,816,263 and \$12,971,172, respectively.

The debt service requirements at June 30, 2015 are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2016	\$ 2,662,009	\$ 1,530,000	\$ 1,132,009
2017	2,645,422	1,535,000	1,110,422
2018	2,647,180	1,565,000	1,082,180
2019	2,632,928	1,585,000	1,047,928
2020	2,627,527	1,620,000	1,007,527
2021-2025	11,963,387	7,600,000	4,363,387
2026-2030	11,639,735	8,855,000	2,784,735
2031-2035	7,296,837	6,370,000	926,837
2036-2040	1,121,471	915,000	206,471
2041-2043	671,281	635,000	36,281
	<u>\$ 45,907,777</u>	<u>\$ 32,210,000</u>	<u>\$ 13,697,777</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2015 and 2014

Note 5: Long-Term Liabilities - Continued

Bond Refunding

In December 2014, the Authority issued \$3,055,000 of Airport Bonds, Series 2014C to redeem and refund a portion of the Authority's outstanding Series 2009B Bonds. The Authority completed the refunding to reduce its total debt service payments over the next 15 years by approximately \$493,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$375,000.

In July 2013, the Authority issued \$23,025,000 of Airport Bonds, Series 2013A, 2013B and 2013C, to finance the construction of new facilities in Lincoln Air Park West, finance various infrastructure improvements, and redeem and refund a portion of the Authority's outstanding Series 2007A, 2007B and 2009A Bonds. From the net proceeds of the issuance, \$1,957,670 was used to redeem a portion of the outstanding bonds and \$769,170 was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments until the remaining bonds were called in December 2013. The Authority completed the refunding to reduce its total debt service payments over the next 16 years by approximately \$109,000 and to obtain an economic gain of approximately \$111,000.

Letter of Credit

During 2014, the Authority obtained a standby letter of credit in support of revenues under an agreement with an airline. The total amount available under the letter of credit is \$750,000 and any amounts drawn on this letter of credit bear interest at the bank's prime rate plus 4.0%. The letter of credit expires on December 31, 2015. No amounts were drawn against this letter of credit during the fiscal years 2015 and 2014.

Note 6: Retirement Plans

The Authority has a 414(h) retirement plan commonly known as a governmental money purchase pension plan. Under this plan, employees are required to contribute 6% of their annual compensation and the Authority contributes 12% of each participant's annual compensation to the plan. For employees hired after August 1, 2009, the Authority will contribute 6% of the participant's annual compensation to the plan. Employees' contributions to the plan were approximately \$153,000 and \$140,000 for 2015 and 2014, respectively. Contributions to the plan by the Authority were approximately \$284,000 and \$270,000 for 2015 and 2014, respectively. The Plan has a 10 year vesting schedule for Authority contributions.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2015 and 2014

Note 6: Retirement Plans - Continued

The Authority also offers employees a deferred compensation plan created in accordance with provisions in IRS Section 457. The deferred compensation plan allows employees to defer a portion of current salary to future years, but the deferred balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation under the plan and income attributed to such amounts are placed in a trust which is not under the Authority's custody. Therefore, assets and liabilities related to the deferred compensation plan are not included in the basic financial statements.

Note 7: Leases

Substantially all of the Authority's revenues from the terminal, fixed base and industrial park are derived pursuant to lease agreements. The terms of the various leases provide for fixed rentals or rentals contingent upon revenues, with or without a fixed minimum, for the term of the lease. There are also leases that are maintained on a month-to-month basis.

A schedule of approximate minimum future rentals from noncancellable operating leases in each of the five years subsequent to June 30, 2015, is as follows:

2016	\$ 10,221,207
2017	8,231,273
2018	6,662,046
2019	6,328,238
2020	5,662,427

Note 8: Commitments

The Authority participates in federally assisted grant programs related to airport specific and other capital improvements. Federal financial assistance programs are subject to financial and compliance audits. There are no expenditures which were disallowed and no instances of noncompliance considered material to the financial statements at this time.

The Authority has commitments under major construction contracts of approximately \$7,600,000 at June 30, 2015, which are expected to be funded through federal grants or by the use of bond proceeds.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2015 and 2014

Note 9: Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from matters relating to theft of, damage to and destruction of assets and natural disasters, errors and omissions and employee injuries and illness. Settled claims did not exceed the commercial coverage in any of the three preceding years. The Authority is self-insured for claims for theft, damage to and destruction of assets and natural disasters up to \$50,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Management of the Authority believes no liability accrual was required at June 30, 2015 and 2014.

Note 10: Significant Estimates and Concentrations

Revenue Concentration

Revenues from four tenants and one tenant comprised approximately 42% and 13% of total operating revenues for the years ended June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, 48% and 52% of accounts receivable were owed from two and three customers, respectively.

Supplementary Information

Airport Authority of the City of Lincoln, Nebraska

Schedule of Cash and Investments and Changes in Account Balances (Cash Basis) Year Ended June 30, 2015

	<u>Total</u>	Airport Bonds	Airport Bonds	Airport Bonds		Airport Bonds	
		Series 2009B	Series 2010	Debt Service	Project Fund	Debt Service	Project Fund
		2009B	2010	Series 2011A		Series 2012A	
Account Balance, Beginning of Year	\$ 13,496,889	\$ 218,453	\$ 213,796	\$ 64,861	\$ 78,902	\$ 164,619	\$ 71,827
Receipts							
Operations	12,920,903	-	-	-	-	-	-
Interest	15,092	3	1	1	-	9	5
Bond proceeds	25,174,305	-	-	-	-	-	-
Grants	6,180,523	-	-	-	-	-	-
Other	89,655	-	-	-	-	-	-
Total Receipts	<u>44,380,478</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>9</u>	<u>5</u>
Disbursements							
Operations and maintenance	8,707,678	-	-	-	-	-	-
Property and equipment acquisition	29,041,160	-	-	-	-	-	-
Retirement of long-term debt	1,460,000	150,000	195,000	50,000	-	100,000	-
Interest	1,345,904	140,537	35,591	29,497	-	128,978	-
Other	61,243	-	-	-	-	-	-
Total Disbursements	<u>40,615,985</u>	<u>290,537</u>	<u>230,591</u>	<u>79,497</u>	<u>-</u>	<u>228,978</u>	<u>-</u>
Transfers, net	-	72,081	238,591	79,270	(78,902)	228,719	(32,223)
Account Balance, End of Year	<u>\$ 17,261,382</u>	<u>\$ -</u>	<u>\$ 221,797</u>	<u>\$ 64,635</u>	<u>\$ -</u>	<u>\$ 164,369</u>	<u>\$ 39,609</u>
Represented by							
Current Assets							
Cash and cash equivalents	\$ 7,158,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment securities	2,241,000	-	-	-	-	-	-
	<u>9,399,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted Assets							
Cash and cash equivalents	7,862,208	-	221,797	64,635	-	164,369	39,609
	<u>7,862,208</u>	<u>-</u>	<u>221,797</u>	<u>64,635</u>	<u>-</u>	<u>164,369</u>	<u>39,609</u>
	<u>\$ 17,261,382</u>	<u>\$ -</u>	<u>\$ 221,797</u>	<u>\$ 64,635</u>	<u>\$ -</u>	<u>\$ 164,369</u>	<u>\$ 39,609</u>

Airport Authority of the City of Lincoln, Nebraska

Schedule of Cash and Investments and Changes in Account Balances (Cash Basis) - Continued Year Ended June 30, 2015

	Airport Bonds Series 2013A		Airport Bonds Series 2013B	Airport Bonds Series 2013C		Bond Anticipation Notes Series 2014A	
	Debt Service	Project Fund		Debt Service	Project Fund	Debt Service	Project Fund
Account Balance, Beginning of Year	\$ 82,515	\$ 22,097	\$ 98,988	\$ 1,207,710	\$ 3,404,011	\$ -	\$ -
Receipts							
Operations	-	-	-	-	-	-	-
Interest	3	3	6	55	86	-	106
Bond proceeds	-	-	-	-	-	-	13,084,305
Grants	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Receipts	<u>3</u>	<u>3</u>	<u>6</u>	<u>55</u>	<u>86</u>	<u>-</u>	<u>13,084,411</u>
Disbursements							
Operations and maintenance	-	-	-	-	-	-	-
Property and equipment acquisition	-	-	-	-	-	-	-
Retirement of long-term debt	65,000	-	80,000	820,000	-	-	-
Interest	34,776	-	37,668	772,661	-	108,611	-
Other	-	-	-	-	-	-	-
Total Disbursements	<u>99,776</u>	<u>-</u>	<u>117,668</u>	<u>1,592,661</u>	<u>-</u>	<u>108,611</u>	<u>-</u>
Transfers, net	<u>99,527</u>	<u>-</u>	<u>117,362</u>	<u>1,564,962</u>	<u>(3,404,097)</u>	<u>119,436</u>	<u>(8,637,530)</u>
Account Balance, End of Year	<u>\$ 82,269</u>	<u>\$ 22,100</u>	<u>\$ 98,688</u>	<u>\$ 1,180,066</u>	<u>\$ -</u>	<u>\$ 10,825</u>	<u>\$ 4,446,881</u>
Represented by							
Current Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment securities	-	-	-	-	-	-	-
Restricted Assets							
Cash and cash equivalents	82,269	22,100	98,688	1,180,066	-	10,825	4,446,881
	<u>82,269</u>	<u>22,100</u>	<u>98,688</u>	<u>1,180,066</u>	<u>-</u>	<u>10,825</u>	<u>4,446,881</u>
	<u>\$ 82,269</u>	<u>\$ 22,100</u>	<u>\$ 98,688</u>	<u>\$ 1,180,066</u>	<u>\$ -</u>	<u>\$ 10,825</u>	<u>\$ 4,446,881</u>

Airport Authority of the City of Lincoln, Nebraska

Schedule of Cash and Investments and Changes in Account Balances (Cash Basis) - Continued Year Ended June 30, 2015

	Bond Anticipation Notes Series 2014B		Airport Bonds Series 2014C	Airport Bonds Series 2014D	
	Debt Service	Project Fund		Debt Service	Project Fund
Account Balance, Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts					
Operations	-	-	-	-	-
Interest	-	70	1	1	3
Bond proceeds	-	11,070,000	-	-	1,020,000
Grants	-	-	-	-	-
Other	-	-	-	-	-
Total Receipts	<u>-</u>	<u>11,070,070</u>	<u>1</u>	<u>1</u>	<u>1,020,003</u>
Disbursements					
Operations and maintenance	-	-	-	-	-
Property and equipment acquisition	-	-	-	-	-
Retirement of long-term debt	-	-	-	-	-
Interest	53,696	-	2,611	1,278	-
Other	-	-	-	-	-
Total Disbursements	<u>53,696</u>	<u>-</u>	<u>2,611</u>	<u>1,278</u>	<u>-</u>
Transfers, net	<u>58,309</u>	<u>(10,109,659)</u>	<u>243,761</u>	<u>48,967</u>	<u>(742,899)</u>
Account Balance, End of Year	<u>\$ 4,613</u>	<u>\$ 960,411</u>	<u>\$ 241,151</u>	<u>\$ 47,690</u>	<u>\$ 277,104</u>
Represented by					
Current Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investment securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted Assets					
Cash and cash equivalents	<u>4,613</u>	<u>960,411</u>	<u>241,151</u>	<u>47,690</u>	<u>277,104</u>
	<u>4,613</u>	<u>960,411</u>	<u>241,151</u>	<u>47,690</u>	<u>277,104</u>
	<u>\$ 4,613</u>	<u>\$ 960,411</u>	<u>\$ 241,151</u>	<u>\$ 47,690</u>	<u>\$ 277,104</u>

Airport Authority of the City of Lincoln, Nebraska

Schedule of Cash and Investments and Changes in Account Balances (Cash Basis) - Continued Year Ended June 30, 2015

	Operations and Maintenance Fund	Revenue Fund	Airport CNG Station Fund	Capital Improvement Fund	Airport Parking Fund	Insurance Fund	Employee Pay Flex
Account Balance, Beginning of Year	\$ (103,158)	\$ 459,784	\$ 31,719	\$ 233,644	\$ 1,135,163	\$ 6,109,524	\$ 2,434
Receipts							
Operations	-	11,527,315	28,883	-	1,364,705	-	-
Interest	-	384	2	2	92	14,259	-
Bond proceeds	-	-	-	-	-	-	-
Grants	-	-	-	6,180,523	-	-	-
Other	-	87,945	-	1,391	-	319	-
Total Receipts	<u>-</u>	<u>11,615,644</u>	<u>28,885</u>	<u>6,181,916</u>	<u>1,364,797</u>	<u>14,578</u>	<u>-</u>
Disbursements							
Operations and maintenance	8,700,662	-	2,852	-	4,164	-	-
Property and equipment acquisition	-	-	-	29,041,160	-	-	-
Retirement of long-term debt	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other	3,803	18,891	3,096	1,178	25,144	7,923	1,208
Total Disbursements	<u>8,704,465</u>	<u>18,891</u>	<u>5,948</u>	<u>29,042,338</u>	<u>29,308</u>	<u>7,923</u>	<u>1,208</u>
Transfers, net	<u>8,403,770</u>	<u>(10,971,743)</u>	<u>(443)</u>	<u>23,837,494</u>	<u>(1,134,763)</u>	<u>10</u>	<u>-</u>
Account Balance, End of Year	<u>\$ (403,853)</u>	<u>\$ 1,084,794</u>	<u>\$ 54,213</u>	<u>\$ 1,210,716</u>	<u>\$ 1,335,889</u>	<u>\$ 6,116,189</u>	<u>\$ 1,226</u>
Represented by							
Current Assets							
Cash and cash equivalents	\$ (403,853)	\$ 1,084,794	\$ 54,213	\$ 1,210,716	\$ 1,335,889	\$ 3,875,189	\$ 1,226
Investment securities	-	-	-	-	-	2,241,000	-
	<u>(403,853)</u>	<u>1,084,794</u>	<u>54,213</u>	<u>1,210,716</u>	<u>1,335,889</u>	<u>6,116,189</u>	<u>1,226</u>
Restricted Assets							
Cash and cash equivalents	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (403,853)</u>	<u>\$ 1,084,794</u>	<u>\$ 54,213</u>	<u>\$ 1,210,716</u>	<u>\$ 1,335,889</u>	<u>\$ 6,116,189</u>	<u>\$ 1,226</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Operating Revenues
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Landing Field			
Landing Fees			
Delta Airlines	\$ 86,854	\$ 111,832	\$ (24,978)
United Airlines	241,313	204,824	36,489
Flowage Fees			
Duncan Aviation	30,841	35,199	(4,358)
Silverhawk Aviation	50,648	44,082	6,566
Corporate	5,182	3,606	1,576
Other	<u>40,999</u>	<u>47,611</u>	<u>(6,612)</u>
Total landing field	<u>455,837</u>	<u>447,154</u>	<u>8,683</u>
Terminal			
Airline Rentals			
Delta Airlines	296,464	278,156	18,308
United Airlines	367,028	373,186	(6,158)
Land Transportation Facilities			
Avis Rent A Car	147,314	148,737	(1,423)
Budget Rent A Car	44,131	47,165	(3,034)
Enterprise Rent-A-Car	109,091	96,935	12,156
The Hertz Corporation	155,365	160,576	(5,211)
National Car Rental System	157,606	130,042	27,564
Cab companies	1,500	1,500	-
Concessions			
Standard Parking	1,364,704	1,159,873	204,831
Interspace	30,000	32,500	(2,500)
Utility surcharges	144,653	156,423	(11,770)
Air Freight terminal	32,604	29,256	3,348
Other	<u>91,770</u>	<u>108,469</u>	<u>(16,699)</u>
Total terminal	<u>2,942,230</u>	<u>2,722,818</u>	<u>219,412</u>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Operating Revenues - Continued
Years Ended June 30, 2015 and 2014

	2015	2014	Increase (Decrease)
General Aviation			
U.S. Government	\$ 171,133	\$ 139,315	\$ 31,818
State of Nebraska	110,598	102,953	7,645
Duncan Aviation, Inc., shop hangar	781,178	797,929	(16,751)
Silverhawk Aviation	171,018	170,361	657
Hill Aero	76,201	62,228	13,973
Executive T-Hangar	216,986	188,743	28,243
Other T-Hangars	553,916	526,376	27,540
Other	269	1,610	(1,341)
	<u>2,081,299</u>	<u>1,989,515</u>	<u>91,784</u>
Air Park West/LNK Enterprise Park			
Air Park West/LNK Enterprise Park	6,610,745	5,134,268	1,476,477
Storage annex	69,146	67,439	1,707
Air Park aviation	530,033	603,783	(73,750)
Other	124,510	32,854	91,656
	<u>7,334,434</u>	<u>5,838,344</u>	<u>1,496,090</u>
Air Park South			
Lincoln Air Park South	157,372	144,295	13,077
	<u>157,372</u>	<u>144,295</u>	<u>13,077</u>
	<u>\$ 12,971,172</u>	<u>\$ 11,142,126</u>	<u>\$ 1,829,046</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Direct Operating Expenses
Years Ended June 30, 2015 and 2014**

	2015	2014	Increase (Decrease)
Landing Field			
Salaries	\$ 393,533	\$ 401,796	\$ (8,263)
Employee benefits	140,812	139,034	1,778
Repairs and maintenance	239,242	196,781	42,461
Contracted services	131,255	188,539	(57,284)
Utilities	78,956	78,290	666
Insurance	34,435	38,431	(3,996)
Professional services	9,331	9,916	(585)
Other	5,086	2,892	2,194
	<u>1,032,650</u>	<u>1,055,679</u>	<u>(23,029)</u>
Terminal			
Salaries	583,855	543,325	40,530
Employee benefits	223,774	182,363	41,411
Repairs and maintenance	168,369	163,045	5,324
Contracted services	346,345	290,065	56,280
Utilities	382,107	406,647	(24,540)
Insurance	69,859	70,638	(779)
Professional services	391,417	344,973	46,444
Bond issuance costs	13,720	-	13,720
Other	89,566	84,437	5,129
	<u>2,269,012</u>	<u>2,085,493</u>	<u>183,519</u>
General Aviation			
Salaries	32,771	47,020	(14,249)
Employee benefits	18,866	17,069	1,797
Repairs and maintenance	22,614	46,702	(24,088)
Contracted services	35,208	42,599	(7,391)
Utilities	56,402	56,389	13
Insurance	39,265	37,374	1,891
Professional services	4,599	6,495	(1,896)
Bond issuance costs	-	9,078	(9,078)
Interest expense	206,437	192,247	14,190
Other	120	-	120
	<u>416,282</u>	<u>454,973</u>	<u>(38,691)</u>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Direct Operating Expenses – Continued
Years Ended June 30, 2015 and 2014

	2015	2014	Increase (Decrease)
Air Park West/LNK Enterprise Park			
Salaries	\$ 262,355	\$ 219,068	\$ 43,287
Employee benefits	145,523	85,915	59,608
Repairs and maintenance	42,817	46,840	(4,023)
Contracted services	61,765	141,284	(79,519)
Utilities	146,179	88,733	57,446
Insurance	170,743	152,701	18,042
Professional services	28,058	17,678	10,380
Bond issuance costs	186,408	252,186	(65,778)
Interest expense	324,253	643,210	(318,957)
Bad debt expense	1,756	37,695	(35,939)
	<u>1,369,857</u>	<u>1,685,310</u>	<u>(315,453)</u>
Total air park west/LNK enterprise park			
Air Park South			
Salaries	9,490	9,400	90
Employee benefits	2,951	2,797	154
Repairs and maintenance	17,192	10,891	6,301
Contracted services	5,141	2,542	2,599
Utilities	18,397	17,718	679
Insurance	2,153	2,175	(22)
Other	109	83	26
	<u>55,433</u>	<u>45,606</u>	<u>9,827</u>
Total air park south			
Subtotal Direct Operating Expenses	<u>5,143,234</u>	<u>5,327,061</u>	<u>(183,827)</u>
Depreciation Expense			
Landing field	1,577,060	1,554,922	22,138
Terminal	624,695	699,749	(75,054)
General aviation	719,738	699,677	20,061
Air Park West/LNK Enterprise Park	2,281,668	2,097,067	184,601
Lincoln Air Park South	38,612	38,612	-
	<u>5,241,773</u>	<u>5,090,027</u>	<u>151,746</u>
Total depreciation expense			
	<u>\$ 10,385,007</u>	<u>\$ 10,417,088</u>	<u>\$ (32,081)</u>

Airport Authority of the City of Lincoln, Nebraska

Schedule of Indirect Operating Expenses Years Ended June 30, 2015 and 2014

	2015	2014	Increase (Decrease)
Public Safety			
Salaries	\$ 882,394	\$ 846,326	\$ 36,068
Employee benefits	285,766	296,343	(10,577)
Repairs and maintenance	81,702	91,619	(9,917)
Contracted services	34,038	19,319	14,719
Utilities	5,376	5,376	-
Insurance	23,345	28,694	(5,349)
Professional services	93,934	86,115	7,819
Other	10,851	4,946	5,905
	<u>1,417,406</u>	<u>1,378,738</u>	<u>38,668</u>
Total public safety			
Service Equipment			
Salaries	158,180	152,127	6,053
Employee benefits	77,679	53,462	24,217
Repairs and maintenance	119,055	116,725	2,330
Contracted services	4,926	8,472	(3,546)
Utilities	113,110	122,712	(9,602)
Insurance	51,598	48,488	3,110
Other	3,744	-	3,744
	<u>528,292</u>	<u>501,986</u>	<u>26,306</u>
Total service equipment			
General and Administrative			
Salaries	804,972	683,691	121,281
Employee benefits	386,175	561,157	(174,982)
Repairs and maintenance	43,054	53,424	(10,370)
Contracted services	19,951	54,872	(34,921)
Utilities	58,287	49,097	9,190
Insurance	35,635	39,766	(4,131)
Professional services	1,172,123	544,902	627,221
Other	144,567	106,976	37,591
	<u>2,664,764</u>	<u>2,093,885</u>	<u>570,879</u>
Total general and administrative			
Depreciation Expense			
Service equipment	380,761	391,681	(10,920)
General and administrative	93,069	73,920	19,149
	<u>473,830</u>	<u>465,601</u>	<u>8,229</u>
Total depreciation expense			
Total Indirect Operating Expenses	<u>\$ 5,084,292</u>	<u>\$ 4,440,210</u>	<u>\$ 644,082</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Cluster/Program	Federal Agency Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Airport Improvement Program	Department of Transportation/ Federal Aviation Administration	20.106	3-31-0050-45	\$ 273,065
			3-31-0050-48	259,800
			3-31-0050-50	4,923,382
			3-31-0050-51	61,520
				<u>5,517,767</u>
Small Community Air Service Development Program	Department of Transportation	20.930	2013-0120-0038	<u>486,911</u>
				<u><u>\$ 6,004,678</u></u>

Notes to Schedule

1. This schedule includes the federal awards activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. No federal expenditures were provided to subrecipients.

Single Audit Reports

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

Board of Directors
Airport Authority of the City
of Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Airport Authority of the City of Lincoln, Nebraska (the Authority), which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated September 18, 2015.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to the Authority's management in a separate letter dated September 18, 2015.

Purpose of this Report

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

BKD, LLP

Lincoln, Nebraska
September 18, 2015

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

Independent Auditor's Report

Board of Directors
Airport Authority of the City
of Lincoln, Nebraska

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Airport Authority of the City of Lincoln, Nebraska (the Authority) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

Opinion on Each Major Federal Program

In our opinion, the Airport Authority of the City of Lincoln, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Airport Authority of the City of Lincoln, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

BKD, LLP

Lincoln, Nebraska
September 18, 2015

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2015

7. The Authority's major programs were:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106
Small Community Air Service Development Program	20.930

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

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

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No matters are reportable	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No matters are reportable	

**Airport Authority of the City of
Lincoln, Nebraska**
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Reference Number	Summary of Finding	Status
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No matters are reportable