

Airport Authority of the City of Lincoln, Nebraska

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017



**Airport Authority of the City of
Lincoln, Nebraska
June 30, 2018 and 2017**

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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 financial statements of the Airport Authority of the City of Lincoln, Nebraska (the Authority), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2018 and 2017, 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 as listed in the table of contents 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, which consists of the schedules of cash and investments and changes in account balances; operating revenues; direct operating expenses; and indirect operating expenses, 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.

The schedules of cash and investments and changes in account balances; operating revenues; direct operating expenses; and indirect operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Lincoln, Nebraska
October 4, 2018

Management's Discussion and Analysis June 30, 2018 and 2017

The following discussion and analysis of the financial performance and activity of the Airport Authority of the City of Lincoln, Nebraska (LAA or the Authority) is to provide an introduction and overview that users need to interpret the financial statements of LAA for the fiscal years ended June 30, 2018 and 2017, with selected comparative information for the fiscal year ended June 30, 2016. 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 also receives grant funds under the Federal Airport Improvement Program (AIP).

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. 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 sheet and the statement 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 revenues and expenses are recorded when they are earned or incurred, 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 deferred outflows of resources, 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). Interstate 80 and U.S. Highway 34 border the Airport. The Airport, classified by the Federal Aviation Administration (FAA) as a primary 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.

	Calendar Year			Percent Variance	
	2017	2016	2015	2017 / 2016	2016 / 2015
Enplaned passengers	154,393	162,118	163,465	-4.77%	-0.82%
Aircraft operations					
Air carrier	8,898	8,698	8,165	2.30%	6.53%
Air taxi	5,428	4,583	4,667	18.44%	-1.80%
General aviation	36,193	37,055	37,344	-2.33%	-0.77%
Military	10,481	11,750	12,793	-10.80%	-8.15%
Total operations	61,000	62,086	62,969	-1.75%	-1.40%

Most passengers begin or end their travel in the City rather than connecting for flights to other communities. Airline service continues to be a challenge due to Lincoln's proximity to Omaha's Eppley Airfield; Calendar year 2017 saw a 5% decrease in passenger numbers from both 2016 and 2015. LAA officials continue to work with consultants and the airlines to stabilize fares and attract new air service to Lincoln.

Lincoln continues to be served by two air carriers providing daily service. United Airlines provides three to four flights per day to Chicago and two to four flights per day to Denver based on seasonal adjustments. Delta provides two to three flights per day to Minneapolis and one flight, five to six days per week to Atlanta. The Airport Authority continues to explore service options with various airlines, including those currently serving Lincoln.

The Authority reviews and establishes landing fees on an annual basis. In addition to landing fees assessed to commercial air service operators, the Authority adds 6 cents per gallon of fuel sold (flowage fee) to aircraft weighing less than 60,000 pounds. These combined landing and flowage fees account for approximately 3.74% 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. The Guard continues to provide the aircraft rescue and fire-fighting capabilities on the airfield for both military and civilian operations in exchange for joint use of flying facilities.

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		
	2018	2017	2016
Landing fee (per 1,000 lbs.)	\$ 2.30	\$ 2.25	\$ 2.20
Terminal lease rates			
Finished space (per year)	\$36.81/sq. ft.	\$36.09/sq. ft.	\$35.56/sq. ft.
Unfinished space (per year)	\$28.22/sq. ft.	\$27.67/sq. ft.	\$27.26/sq. ft.
Loading bridge fees (per month)	\$ 1,030.00	\$ 1,010.00	\$ 995.00

In 2016, the Authority entered into a new professional services agreement with SP+, previously known as Standard Parking, to operate the public parking facilities. SP+ received an annual fee of approximately \$259,000 for 2018 and \$276,000 for 2017. The operation of such parking facilities generated annual gross receipts of approximately \$1,370,000 and \$1,450,000 in 2018 and 2017, 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 by 2% in 2018, from \$637,262 in fiscal year 2017 to \$650,754 in fiscal year 2018.

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 Clear Channel Airports, to operate the terminal advertising displays. 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 that has been extended to October 31, 2019. 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 2017 and 2016 contract years, the Airport paid Air Host a Breakpoint Payment of \$100,000 and \$86,000 respectively.

General aviation activity saw an increase in operational activity in the current year as Duncan Aviation and Silverhawk, both fixed-based operators, continue to show growth. Silverhawk entered into a thirty year lease with LAA in May 2017 for 36,500 square feet of land adjacent to the general aviation ramp to build a 28,000 square foot hangar. Construction on the hangar was completed in June 2018. In addition, Performance Aircraft, a former subtenant of Silverhawk Aviation, entered into a thirty year agreement with LAA in October 2018 for 21,462 square feet of land adjacent to the general aviation ramp to build a 12,000 square foot hangar. Construction on that hangar is expected to begin in October 2018.

The Airport has 172 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, Nebraska Department of Transportation 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.

In 2015, the LAA Board, upon recommendation from the Industrial Park Board, changed the name of the Airport's industrial park from Lincoln Air Park West to 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 173,000 square feet. Currently, the Authority has under lease approximately 82% of the 2,126,000 square feet available. These leases vary in length from month-to-month to 30 years and include diverse tenants. The Authority also leases to other governmental agencies, on a year-to-year basis, and this income amounts to approximately \$1,300,000 (approximately 16%) per year of the industrial complex income, which totaled approximately \$8,000,000 in 2018, up from \$7,700,000 in 2017, an increase of 3%.

Overall activity in the industrial complex has started to slow as several projects have been completed over the last few years. The Airport continues the development of the north acreage into four large rail-served industrial tracts. Infrastructure improvements to extend NW 38th Street represent the largest physical change. Construction was completed in 2016 on a new 110,000 square foot rail center building which was immediately partially occupied by Hexagon Lincoln and in 2018, the remainder of the building was leased to Metalworks. LAA continues to look for long term tenants for the vacated G.T. Exhaust and Jacob North buildings.

Some of the other entities leasing space from the Authority include Duncan Aviation, Van Sickle Paint, Plastic Companies, Hexagon Lincoln, Weathercraft, Daitron, Lincoln Industries, Sensory Effects, Tri-Con and UNL. The balance of the tenant base in LNK Enterprise Park is stable with no major tenants leaving during the 2018 and 2017 fiscal years. The Authority does not anticipate other major vacancies in the near future.

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

The following condensed financial statements summarize the financial position of the Authority as of June 30, 2018, 2017 and 2016 and its activities for the years then ended:

Condensed Balance Sheets

	June 30			Variance			
	2018	2017	2016	2018 / 2017		2017 / 2016	
				Dollars	Percent	Dollars	Percent
Current assets	\$ 13,653,246	\$ 12,950,227	\$ 10,890,080	\$ 703,019	5.43%	\$ 2,060,147	18.92%
Capital assets	98,411,917	103,496,830	106,686,289	(5,084,913)	-4.91%	(3,189,459)	-2.99%
Restricted cash and cash equivalents	3,839,604	3,795,046	5,342,066	44,558	1.17%	(1,547,020)	-28.96%
Deferred loss on bond refunding	876,110	934,517	-	(58,407)	100.00%	934,517	0.00%
Total assets and deferred outflows of resources	\$ 116,780,877	\$ 121,176,620	\$ 122,918,435	\$ (4,395,743)	-3.63%	\$ (1,741,815)	-1.42%
Current liabilities	\$ 4,996,766	\$ 5,227,380	\$ 5,177,734	\$ (230,614)	-4.41%	\$ 49,646	0.96%
Noncurrent liabilities	53,369,046	55,958,080	57,065,212	(2,589,034)	-4.63%	(1,107,132)	-1.94%
Total liabilities	58,365,812	61,185,460	62,242,946	(2,819,648)	-4.61%	(1,057,486)	-1.70%
Net investment in capital assets	45,986,867	48,293,521	52,845,585	(2,306,654)	-4.78%	(4,552,064)	-8.61%
Restricted for debt service	2,465,857	2,406,331	1,858,824	59,526	2.47%	547,507	29.45%
Unrestricted	9,962,341	9,291,308	5,971,080	671,033	7.22%	3,320,228	55.61%
Total liabilities and net position	\$ 116,780,877	\$ 121,176,620	\$ 122,918,435	\$ (4,395,743)	-3.63%	\$ (1,741,815)	-1.42%

Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30			Variance			
	2018	2017	2016	2018 / 2017		2017 / 2016	
				Dollars	Percent	Dollars	Percent
Operating revenue							
Airport revenue	\$ 14,729,232	\$ 14,145,375	\$ 14,237,712	\$ 583,857	4.13%	\$ (92,337)	-0.65%
Total operating revenue	14,729,232	14,145,375	14,237,712	583,857	4.13%	(92,337)	-0.65%
Operating expenses							
Direct operating expenses	12,915,018	12,286,413	11,782,181	628,605	5.12%	504,232	4.28%
Indirect operating expenses	4,462,863	4,483,877	4,466,819	(21,014)	-0.47%	17,058	0.38%
Total operating expenses	17,377,881	16,770,290	16,249,000	607,591	3.62%	521,290	3.21%
Operating loss	(2,648,649)	(2,624,915)	(2,011,288)	(23,734)	-0.90%	(613,627)	-30.51%
Net nonoperating revenues	501,822	153,565	186,250	348,257	226.78%	(32,685)	-17.55%
Capital grants	570,732	1,787,021	854,427	(1,216,289)	-68.06%	932,594	109.15%
Change in net position	\$ (1,576,095)	\$ (684,329)	\$ (970,611)	\$ (891,766)	-130.31%	\$ 286,282	29.50%

The change in net position from 2017 to 2018 decreased by \$891,766. In comparing fiscal year 2018 to fiscal year 2017, operating revenues were up \$583,857 or 4.13%, however operating expenses increased \$607,591 or 3.62%. Capital grants also decreased \$1,216,289 from 2017 to 2018. In comparing fiscal year 2017 to fiscal year 2016, revenues in 2017 were down 1% and expenses were up approximately 3% from 2016, but capital grants in 2017 were more than double compared to 2016.

Normal depreciation was taken on capital assets during fiscal years 2018 and 2017. As of June 30, 2018, the Authority has commitments under construction in the amount of \$1,000,000 as compared to \$2,000,000 at June 30, 2017, and \$5,500,000 at June 30, 2016. The majority of these commitments are being funded by bond proceeds or federal grants.

Landing field revenues were down 8% from 2017. Effective January 1, 2018, the landing fee rate under contract was increased from \$2.25 per 1,000 pounds to \$2.30 per 1,000 pounds. However, landing fees collected from United and Delta Airlines in 2018 were 12% lower than 2017.

Terminal area revenues experienced an increase from the prior year, as a direct result of the Authority enacting a passenger facility charge (PFC) program, starting in the 2nd quarter of the 2017 fiscal year. Under the PFC program, the Authority has the ability to collect PFC fees up to \$4.50 for every enplaned passenger departing from or arriving into the Lincoln airport. The Authority recorded revenues in the amount of \$636,444 and \$339,227 under its PFC program for the 2018 and 2017 fiscal years, respectively.

Revenues in the General Aviation area increased by 6% from fiscal year 2017 due to periodic rental rate adjustments from a variety of tenants, and an increase from revenues related to the Duncan Aviation shop hangar.

Revenues in LNK Enterprise Park increased by approximately 3% in fiscal year 2018 due to periodic rental rate adjustments from a variety of tenants, and tenants occupying some previously vacant facilities.

Federal grant income decreased approximately \$1.2 million, from \$1,787,021 in fiscal year 2017 to \$570,732 in fiscal year 2018. The decrease was primarily the result of the substantial completion of the Runway 18/36 lighting rehabilitation project during fiscal year 2017, and fewer overall federal grant projects in fiscal year 2018.

Direct operating expenses increased 5% from fiscal year 2017 to 2018. When excluding the increases to direct operating expenses resulting from the Authority's implementation of GASB Statement No. 89 (see Note 1), which resulted in additional interest being recorded as expense rather than capitalized as a component of construction in progress in fiscal year 2018, direct operating expenses decreased approximately \$30,000 from 2017 to 2018.

Public safety expenses are those associated with LAA's responsibility to provide a police department, a communications center, and crash, fire and rescue services. Public safety expenses increased by about 3% in fiscal year 2018.

In 2018, service equipment expenses increased by 8% mostly due to maintenance and repairs that had been postponed in prior years.

General and administrative expenses decreased in 2018 by about 4% primarily due to a decrease in salaries and professional services costs. The decrease in salaries results from some positions being vacant during the year.

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 are being considered acceptable for future federal project application:

1. Runway 17/35 Design
2. Runway 17/35 Rehabilitation Overlay
3. CFME (Continuous Friction Measuring Equipment) acquisition
4. Airport Master Plan
5. Runway 17/35 Replace ODALS
6. SRE (Snow Removal Equipment) Loader
7. SRE (Snow Removal Equipment) Sweeper
8. General Aviation Development
9. Terminal Ramp Rehabilitation
10. Runway 14/32 Rehabilitation Design

The Airport Authority remains on a sound financial footing. Modernizing and redeveloping LNK Enterprise Park has afforded the Airport Authority with the ability to recruit new tenants and create new jobs in the Lincoln area. One side effect of this growth is that the Authority's overall debt is at a historically high level, making additional debt funded growth less attractive in the near future. As a result, the Airport is evaluating potential development alternatives, including increased use of community partnerships to continue the positive economic growth that has occurred over the last 3-5 years while simultaneously protecting the assets and long term fiscal health of the Authority. 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:

Jenny Ekeler, MPA, SHRM-SCP
Deputy Director for Administration and Finance
Lincoln Airport Authority
P.O. Box 80407
Lincoln, NE 68501
(402) 458-2400

Airport Authority of the City of Lincoln, Nebraska

Balance Sheets June 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 12,011,129	\$ 11,872,728
Accounts receivable, net	588,516	413,210
Grants receivable	531,161	206,301
Prepaid expenses	522,440	457,988
Total current assets	13,653,246	12,950,227
Restricted Cash and Cash Equivalents	3,839,604	3,795,046
Capital Assets, At Cost, Net of Accumulated Depreciation	98,411,917	103,496,830
Total assets	115,904,767	120,242,103
Deferred Outflows of Resources		
Deferred loss on bond refunding	876,110	934,517
Total assets and deferred outflows of resources	\$ 116,780,877	\$ 121,176,620

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 921,853	\$ 1,174,745
Current maturities of long-term debt	2,455,000	2,405,000
Unearned revenue	770,131	779,957
Interest payable	849,782	867,678
Total current liabilities	4,996,766	5,227,380
Noncurrent Liabilities		
Long-term debt	50,486,508	52,957,612
Compensated absences	373,080	357,371
Unearned revenue	2,509,458	2,643,097
Total noncurrent liabilities	53,369,046	55,958,080
Total liabilities	58,365,812	61,185,460
Net Position		
Net investment in capital assets	45,986,867	48,293,521
Restricted for debt service	2,465,857	2,406,331
Unrestricted	9,962,341	9,291,308
Total net position	58,415,065	59,991,160
Total liabilities and net position	\$ 116,780,877	\$ 121,176,620

**Airport Authority of the City of
Lincoln, Nebraska**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Landing field	\$ 548,241	\$ 594,951
Terminal	3,741,449	3,498,133
General aviation	2,263,120	2,130,783
LNK Enterprise Park	7,986,967	7,736,764
Air Park South	189,455	184,744
	<u>14,729,232</u>	<u>14,145,375</u>
Total operating revenues		
Direct Operating Expenses		
Landing field	1,165,482	958,343
Terminal	2,187,942	2,020,649
General aviation	419,621	426,131
LNK Enterprise Park	2,694,562	2,381,169
Air Park South	69,586	52,640
Depreciation	6,377,825	6,447,481
	<u>12,915,018</u>	<u>12,286,413</u>
Total direct operating expenses		
Operating Income After Direct Expenses	<u>1,814,214</u>	<u>1,858,962</u>
Indirect Operating Expenses		
Public safety	1,553,067	1,499,558
Service equipment	460,136	425,936
General and administrative	2,011,411	2,101,805
Depreciation	438,249	456,578
	<u>4,462,863</u>	<u>4,483,877</u>
Total indirect operating expenses		
Operating Loss	<u>(2,648,649)</u>	<u>(2,624,915)</u>
Nonoperating Revenues		
Investment income	59,061	21,386
Farm income, net of expense	103,078	108,102
Gain on sale of assets	9,164	-
Insurance proceeds	314,371	-
Federal grants	-	19,072
Other	16,148	5,005
	<u>501,822</u>	<u>153,565</u>
Total nonoperating revenues		
Decrease in Net Position Before Capital Grants	<u>(2,146,827)</u>	<u>(2,471,350)</u>
Capital Grants		
State & local grants	25,816	155,626
Federal grants	544,916	1,631,395
	<u>570,732</u>	<u>1,787,021</u>
Total capital grants		
Decrease in Net Position	(1,576,095)	(684,329)
Net Position, Beginning of Year	<u>59,991,160</u>	<u>60,675,489</u>
Net Position, End of Year	<u>\$ 58,415,065</u>	<u>\$ 59,991,160</u>

**Airport Authority of the City of
Lincoln, Nebraska
Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating Activities		
Cash received from providing services	\$ 14,420,093	\$ 14,114,966
Cash paid to suppliers	(4,348,839)	(4,092,295)
Cash paid to employees	(4,638,418)	(4,373,101)
Interest paid	<u>(1,717,459)</u>	<u>(1,758,369)</u>
Net cash provided by operating activities	<u>3,715,377</u>	<u>3,891,201</u>
Noncapital Financing Activities		
Other receipts	<u>330,519</u>	<u>5,005</u>
Net cash provided by noncapital financing activities	<u>330,519</u>	<u>5,005</u>
Capital and Related Financing Activities		
Purchase of property and equipment	(1,875,112)	(3,228,369)
Capital grants received	245,872	2,160,820
Principal payments on long-term debt	(2,405,000)	(2,045,000)
Proceeds from sale of equipment	<u>9,164</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(4,025,076)</u>	<u>(3,112,549)</u>
Investing Activities		
Proceeds from sale of investments	-	1,743,000
Farm income	103,078	108,102
Interest received on investments	<u>59,061</u>	<u>21,386</u>
Net cash provided by investing activities	<u>162,139</u>	<u>1,872,488</u>
Change in Cash and Cash Equivalents	182,959	2,656,145
Cash and Cash Equivalents, Beginning of Year	<u>15,667,774</u>	<u>13,011,629</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,850,733</u>	<u>\$ 15,667,774</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheets		
Cash and cash equivalents	\$ 12,011,129	\$ 11,872,728
Restricted cash and cash equivalents	<u>3,839,604</u>	<u>3,795,046</u>
	<u>\$ 15,850,733</u>	<u>\$ 15,667,774</u>

Airport Authority of the City of Lincoln, Nebraska

Statements of Cash Flows - Continued Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (2,648,649)	\$ (2,624,915)
Items not requiring (providing) cash		
Depreciation	6,816,074	6,904,059
Amortization of issuance premiums	(16,104)	(16,104)
Amortization of deferred loss on bond refunding	58,407	38,938
Capitalized interest included in capital asset additions	-	(656,485)
Bond issuance costs paid directly with bond proceeds	-	240,653
Accrued interest paid with refunding bond proceeds	-	255,892
Changes in operating assets and liabilities		
Accounts receivable	(175,306)	57,501
Prepaid expenses	(64,452)	(12,210)
Accounts payable and accrued expenses	(93,232)	(52,218)
Unearned revenue	(143,465)	(63,070)
Interest payable	(17,896)	(180,840)
Net Cash Provided by Operating Activities	\$ 3,715,377	\$ 3,891,201
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 7,507	\$ 151,458

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2018 and 2017

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, 2018 and 2017, cash equivalents consisted primarily of money market funds.

Investments and Investment Income

The Authority's investments in government securities money market funds are carried at cost, which approximates fair value. Investment income includes dividend and interest income.

**Airport Authority of the City of
Lincoln, Nebraska
Notes to Financial Statements
June 30, 2018 and 2017**

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

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, 2018 and 2017.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition 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

During 2018, the Authority early implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that, in financial statements using the economic resources measurement focus, interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. Previous governmental accounting standards guidance required such costs to be capitalized and included as a component of construction in progress for certain projects, and any amount capitalized was included in the historical cost of a capital asset reported in the financial statements. Statement No. 89 was applied prospectively, thus any interest costs capitalized in previous years were not removed from the historical cost of the related capital assets.

During 2017, for taxable borrowings, the Authority capitalized 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 capitalized 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:

	2018	2017
Interest costs capitalized	\$ -	\$ 656,485
Interest costs charged to expense	1,741,866	1,199,770
Total interest incurred	\$ 1,741,866	\$ 1,856,255

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2018 and 2017

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

Deferred Outflows of Resources

The Authority reports increases in net position that relate to future reporting periods as deferred outflows of resources in a separate section of its balance sheet.

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 \$3,279,589 and \$3,423,054, for the years ended June 30, 2018 and 2017, 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:

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2018 and 2017

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

Net Position Classification - Continued

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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. 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.

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, 2018 and 2017

Note 2: Deposits, Investments and Investment Income - Continued

Investments - Continued

At June 30, 2018 and 2017, the Authority had the following investments:

	Total	Maturities in Years		Credit Rating Moody's / S&P
		Less Than 1	1 - 5	
June 30, 2018				
Cash held at trustee	\$ 342,904	\$ 342,904	\$ -	N/A
Government securities money market funds	7,319,290	7,319,290	-	Aaa-mf/AAAm
	<u>\$ 7,662,194</u>	<u>\$ 7,662,194</u>	<u>\$ -</u>	

	Total	Maturities in Years		Credit Rating Moody's / S&P
		Less Than 1	1 - 5	
June 30, 2017				
Cash held at trustee	\$ 348,522	\$ 348,522	\$ -	N/A
Government securities money market funds	7,269,112	7,269,112	-	Aaa-mf/AAAm
	<u>\$ 7,617,634</u>	<u>\$ 7,617,634</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 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.

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.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2018 and 2017

Note 2: Deposits, Investments and Investment Income - Continued

Investments - Continued

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, 2018 and 2017, \$3,496,702 and \$3,446,523, 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, 2018 and 2017, 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:

	2018	2017
Deposits	\$ 8,188,539	\$ 8,050,140
Investments	7,662,194	7,617,634
	\$ 15,850,733	\$ 15,667,774

Included in the following balance sheet captions:

	2018	2017
Current assets		
Operations and maintenance fund	\$ (372,483)	\$ (14,467)
Employee pay flex	1,812	2,043
Revenue fund	2,061,648	1,214,968
Airport parking fund	1,331,072	1,415,511
Capital improvement fund	2,894,122	3,200,886
Cash reserve fund	6,094,492	6,051,726
Airport CNG station fund	466	2,061
Total cash and cash equivalents	12,011,129	11,872,728
Restricted cash and cash equivalents		
Airport bond funds	3,315,639	3,274,009
Airport bond project funds	523,965	521,037
Total restricted cash and cash equivalents	3,839,604	3,795,046
	\$ 15,850,733	\$ 15,667,774

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2018 and 2017

Note 2: Deposits, Investments and Investment Income - Continued

Summary of Carrying Values - Continued

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 a cash reserve 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 \$59,061 and \$21,386 for the years ended June 30, 2018 and 2017, respectively, and was comprised entirely of interest and dividend income.

Note 3: Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The Authority's investments in government securities money market funds are carried at amortized cost, and thus are not included within the fair value hierarchy.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2018 and 2017

Note 4: Capital Assets

Capital asset activity for the years ended June 30, 2018 and 2017 was:

	2018				
	Beginning Balance	Additions	Less Retirements	Transfers	Ending Balance
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	169,709,035	-	-	3,235,585	172,944,620
Furniture and equipment	9,681,527	-	67,325	177,015	9,791,217
Runways	71,382,488	-	-	7,510	71,389,998
Construction in progress	4,515,942	1,731,161	-	(3,420,110)	2,826,993
	<u>257,639,179</u>	<u>1,731,161</u>	<u>67,325</u>	<u>-</u>	<u>259,303,015</u>
Less accumulated depreciation					
Buildings	90,095,415	5,143,979	-	-	95,239,394
Furniture and equipment	8,100,490	374,196	67,325	-	8,407,361
Runways	55,946,444	1,297,899	-	-	57,244,343
	<u>154,142,349</u>	<u>6,816,074</u>	<u>67,325</u>	<u>-</u>	<u>160,891,098</u>
Capital assets, net	<u>\$ 103,496,830</u>	<u>\$ (5,084,913)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,411,917</u>

	2017				
	Beginning Balance	Additions	Less Retirements	Transfers	Ending Balance
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	152,093,346	-	-	17,615,689	169,709,035
Furniture and equipment	9,607,624	-	-	73,903	9,681,527
Runways	71,382,488	-	-	-	71,382,488
Construction in progress	18,490,934	3,714,600	-	(17,689,592)	4,515,942
	<u>253,924,579</u>	<u>3,714,600</u>	<u>-</u>	<u>-</u>	<u>257,639,179</u>
Less accumulated depreciation					
Buildings	85,017,232	5,078,183	-	-	90,095,415
Furniture and equipment	7,699,536	400,954	-	-	8,100,490
Runways	54,521,522	1,424,922	-	-	55,946,444
	<u>147,238,290</u>	<u>6,904,059</u>	<u>-</u>	<u>-</u>	<u>154,142,349</u>
Capital assets, net	<u>\$ 106,686,289</u>	<u>\$ (3,189,459)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,496,830</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2018 and 2017

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, 2018:

Type of Debt	Maturity	Interest Rates	Original Issue Amount	Date Callable	Outstanding at June 30, 2018	Outstanding at June 30, 2017
Airport Bonds						
Series 2010	July 2019	1.25% - 3.80%	\$ 2,435,000	July 2015	\$ 450,000	\$ 665,000
Series 2011A	July 2031	0.55% - 4.00%	1,150,000	Sept. 2016	845,000	895,000
Series 2012A	July 2042	0.30% - 4.00%	4,200,000	July 2017	3,700,000	3,800,000
Series 2013A	July 2033	0.75% - 4.00%	1,265,000	July 2018	1,000,000	1,070,000
Series 2013B	July 2029	0.75% - 3.75%	1,440,000	July 2018	1,120,000	1,200,000
Series 2014C	July 2029	2.00% - 3.00%	3,055,000	December 2019	2,490,000	2,675,000
Series 2014D	July 2029	2.90% - 4.00%	1,020,000	December 2019	875,000	935,000
Series 2015A	July 2045	2.00% - 5.00%	10,285,000	July 2025	10,145,000	10,285,000
Series 2015B	July 2045	0.98% - 4.63%	14,010,000	July 2025	13,130,000	13,500,000
Series 2015C	July 2025	3.35%	505,000	Not Callable	505,000	505,000
Series 2016A	July 2033	1.04% - 3.57%	19,375,000	July 2026	18,240,000	19,375,000
					<u>\$ 52,500,000</u>	<u>\$ 54,905,000</u>

The following is a summary of long-term liability transactions for the Authority for the year ended June 30, 2018:

	2018				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Airport bonds	\$ 54,905,000	\$ -	\$ 2,405,000	\$ 52,500,000	\$ 2,455,000
Issuance premium	457,612	-	16,104	441,508	-
	55,362,612	-	2,421,104	52,941,508	2,455,000
Compensated absences	596,371	317,257	291,548	622,080	249,000
Unearned revenue	3,423,054	439,453	582,918	3,279,589	770,131
Total long-term liabilities	<u>\$ 59,382,037</u>	<u>\$ 756,710</u>	<u>\$ 3,295,570</u>	<u>\$ 56,843,177</u>	<u>\$ 3,474,131</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2018 and 2017

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, 2017:

	2017				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Airport bonds	\$ 55,480,000	\$ 19,375,000	\$ 19,950,000	\$ 54,905,000	\$ 2,405,000
Issuance premium	473,716	-	16,104	457,612	-
	55,953,716	19,375,000	19,966,104	55,362,612	2,405,000
Compensated absences	569,442	255,085	228,156	596,371	239,000
Unearned revenue	3,486,124	497,907	560,977	3,423,054	779,957
Total long-term liabilities	<u>\$ 60,009,282</u>	<u>\$ 20,127,992</u>	<u>\$ 20,755,237</u>	<u>\$ 59,382,037</u>	<u>\$ 3,423,957</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 \$73,734,841, with annual payments expected to require approximately 28 percent of net revenues. Principal and interest for the current year and net operating revenues were \$4,047,883 and \$14,729,232, respectively.

The debt service requirements at June 30, 2018 are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	\$ 4,132,628	\$ 2,455,000	\$ 1,677,628
2020	4,115,903	2,485,000	1,630,903
2021	3,887,890	2,305,000	1,582,890
2022	3,888,942	2,355,000	1,533,942
2023	3,883,362	2,405,000	1,478,362
2024-2028	19,809,989	13,520,000	6,289,989
2029-2033	17,195,622	13,215,000	3,980,622
2034-2038	8,875,357	6,940,000	1,935,357
2039-2043	5,391,489	4,420,000	971,489
2044-2046	2,553,659	2,400,000	153,659
	<u>\$ 73,734,841</u>	<u>\$ 52,500,000</u>	<u>\$ 21,234,841</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2018 and 2017

Note 5: Long-Term Liabilities - Continued

Bond Refunding

In October 2016, the Authority issued \$19,375,000 of Airport Bonds, Series 2016A to redeem and refund the Authority's outstanding Series 2013C Bonds, in the amount of \$17,905,000. The Authority completed the refunding to reduce its total debt service payments over the next 17 years by approximately \$1,400,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,110,000.

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 \$172,000 and \$152,000 for 2018 and 2017, respectively. Contributions to the plan by the Authority were approximately \$270,000 and \$263,000 for 2018 and 2017, respectively. No forfeitures were used to offset Authority contributions during 2018 and 2017. The Plan has a 10 year vesting schedule for Authority contributions.

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.

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

**Notes to Financial Statements
June 30, 2018 and 2017**

Note 7: Leases - Continued

A schedule of approximate minimum future rentals from noncancellable operating leases in each of the five years subsequent to June 30, 2018, is as follows:

2019	\$ 10,205,610
2020	8,538,563
2021	7,068,600
2022	6,650,168
2023	5,190,218

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 \$1,000,000 at June 30, 2018, which are expected to be funded through federal grants or by the use of bond proceeds.

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, 2018 and 2017.

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

**Notes to Financial Statements
June 30, 2018 and 2017**

Note 10: Significant Estimates and Concentrations

Revenue Concentration

Revenues from two and three tenants comprised approximately 25% and 33% of total operating revenues for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, 39% and 27% of accounts receivable were owed from two customers.

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, 2018

	Total	Airport Bonds Series 2010	Airport Bonds Series 2011A	Airport Bonds Series 2012A	Airport Bonds Series 2013A	Airport Bonds Series 2013B	Bond Anticipation Notes (Project Funds) Series 2014A	Airport Bonds Series 2014C
Account Balance, Beginning of Year	\$ 15,667,774	\$ 226,570	\$ 64,115	\$ 163,853	\$ 86,698	\$ 97,971	\$ 16,384	\$ 217,364
Receipts								
Operations	14,875,275	-	-	-	-	-	-	-
Interest	59,061	702	190	778	399	477	92	652
Grants	245,872	-	-	-	-	-	-	-
Total Receipts	<u>15,180,208</u>	<u>702</u>	<u>190</u>	<u>778</u>	<u>399</u>	<u>477</u>	<u>92</u>	<u>652</u>
Disbursements								
Operations and maintenance	8,999,678	-	-	-	-	-	-	-
Property and equipment acquisition	1,875,112	-	-	-	-	-	-	-
Retirement of long-term debt	2,405,000	215,000	50,000	100,000	70,000	80,000	-	185,000
Interest	1,717,459	19,773	27,808	126,675	32,645	35,088	-	62,844
Total Disbursements	<u>14,997,249</u>	<u>234,773</u>	<u>77,808</u>	<u>226,675</u>	<u>102,645</u>	<u>115,088</u>	<u>-</u>	<u>247,844</u>
Transfers, net	<u>-</u>	<u>236,390</u>	<u>77,381</u>	<u>225,813</u>	<u>96,986</u>	<u>114,337</u>	<u>-</u>	<u>245,945</u>
Account Balance, End of Year	<u>\$ 15,850,733</u>	<u>\$ 228,889</u>	<u>\$ 63,878</u>	<u>\$ 163,769</u>	<u>\$ 81,438</u>	<u>\$ 97,697</u>	<u>\$ 16,476</u>	<u>\$ 216,117</u>
Represented by								
Current Assets								
Cash and cash equivalents	\$ 12,011,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>12,011,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted Assets								
Cash and cash equivalents	3,839,604	228,889	63,878	163,769	81,438	97,697	16,476	216,117
	<u>3,839,604</u>	<u>228,889</u>	<u>63,878</u>	<u>163,769</u>	<u>81,438</u>	<u>97,697</u>	<u>16,476</u>	<u>216,117</u>
	<u>\$ 15,850,733</u>	<u>\$ 228,889</u>	<u>\$ 63,878</u>	<u>\$ 163,769</u>	<u>\$ 81,438</u>	<u>\$ 97,697</u>	<u>\$ 16,476</u>	<u>\$ 216,117</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, 2018

	Airport Bonds Series 2014D		Airport Bonds Series 2015A	Airport Bonds Series 2015B	Airport Bonds Series 2015C		Airport Bonds Series 2016A
	Debt Service	Project Fund			Debt Service	Project Fund	
Account Balance, Beginning of Year	\$ 76,463	\$ 4,557	\$ 325,193	\$ 621,273	\$ 8,459	\$ 500,096	\$ 1,386,050
Receipts							
Operations	-	-	-	-	-	-	-
Interest	226	25	1,158	2,082	21	2,811	4,978
Bond proceeds	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Total Receipts	<u>226</u>	<u>25</u>	<u>1,158</u>	<u>2,082</u>	<u>21</u>	<u>2,811</u>	<u>4,978</u>
Disbursements							
Operations and maintenance	-	-	-	-	-	-	-
Property and equipment acquisition	-	-	-	-	-	-	-
Retirement of long-term debt	60,000	-	140,000	370,000	-	-	1,135,000
Interest	32,043	-	368,931	499,909	16,918	-	494,825
Total Disbursements	<u>92,043</u>	<u>-</u>	<u>508,931</u>	<u>869,909</u>	<u>16,918</u>	<u>-</u>	<u>1,629,825</u>
Transfers, net	91,157	-	592,458	967,232	16,917	-	1,487,810
Account Balance, End of Year	<u>\$ 75,803</u>	<u>\$ 4,582</u>	<u>\$ 409,878</u>	<u>\$ 720,678</u>	<u>\$ 8,479</u>	<u>\$ 502,907</u>	<u>\$ 1,249,013</u>
Represented by							
Current Assets							
Cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted Assets							
Cash and cash equivalents	<u>75,803</u>	<u>4,582</u>	<u>409,878</u>	<u>720,678</u>	<u>8,479</u>	<u>502,907</u>	<u>1,249,013</u>
	<u>75,803</u>	<u>4,582</u>	<u>409,878</u>	<u>720,678</u>	<u>8,479</u>	<u>502,907</u>	<u>1,249,013</u>
	<u>\$ 75,803</u>	<u>\$ 4,582</u>	<u>\$ 409,878</u>	<u>\$ 720,678</u>	<u>\$ 8,479</u>	<u>\$ 502,907</u>	<u>\$ 1,249,013</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, 2018

	Operations and Maintenance Fund	Revenue Fund	Airport CNG Station Fund	Capital Improvement Fund	Airport Parking Fund	Cash Reserve Fund	Employee Pay Flex
Account Balance, Beginning of Year	\$ (14,467)	\$ 1,214,968	\$ 2,061	\$ 3,200,886	\$ 1,415,511	\$ 6,051,726	\$ 2,043
Receipts							
Operations	-	13,507,645	-	-	1,367,630	-	-
Interest	-	1,225	-	277	202	42,766	-
Grants	-	-	-	245,872	-	-	-
Total Receipts	<u>-</u>	<u>13,508,870</u>	<u>-</u>	<u>246,149</u>	<u>1,367,832</u>	<u>42,766</u>	<u>-</u>
Disbursements							
Operations and maintenance	-	-	-	-	-	-	-
Property and equipment acquisition	-	-	-	-	-	-	-
Operations and maintenance	8,899,148	63,178	3,595	-	33,526	-	231
Property and equipment acquisition	-	-	-	1,875,112	-	-	-
Total Disbursements	<u>8,899,148</u>	<u>63,178</u>	<u>3,595</u>	<u>1,875,112</u>	<u>33,526</u>	<u>-</u>	<u>231</u>
Transfers, net	<u>8,541,132</u>	<u>(12,599,012)</u>	<u>2,000</u>	<u>1,322,199</u>	<u>(1,418,745)</u>	<u>-</u>	<u>-</u>
Account Balance, End of Year	<u>\$ (372,483)</u>	<u>\$ 2,061,648</u>	<u>\$ 466</u>	<u>\$ 2,894,122</u>	<u>\$ 1,331,072</u>	<u>\$ 6,094,492</u>	<u>\$ 1,812</u>
Represented by							
Current Assets							
Cash and cash equivalents	<u>\$ (372,483)</u>	<u>\$ 2,061,648</u>	<u>\$ 466</u>	<u>\$ 2,894,122</u>	<u>\$ 1,331,072</u>	<u>\$ 6,094,492</u>	<u>\$ 1,812</u>
	<u>(372,483)</u>	<u>2,061,648</u>	<u>466</u>	<u>2,894,122</u>	<u>1,331,072</u>	<u>6,094,492</u>	<u>1,812</u>
Restricted Assets							
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (372,483)</u>	<u>\$ 2,061,648</u>	<u>\$ 466</u>	<u>\$ 2,894,122</u>	<u>\$ 1,331,072</u>	<u>\$ 6,094,492</u>	<u>\$ 1,812</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Operating Revenues
Years Ended June 30, 2018 and 2017**

	2018	2017	Increase (Decrease)
Landing Field			
Landing Fees			
Delta Airlines	\$ 127,036	\$ 148,657	\$ (21,621)
United Airlines	234,302	264,293	(29,991)
Flowage Fees			
Duncan Aviation	37,165	30,898	6,267
Silverhawk Aviation	58,324	60,465	(2,141)
Corporate	1,981	4,114	(2,133)
Other	89,433	86,524	2,909
	<u>548,241</u>	<u>594,951</u>	<u>(46,710)</u>
Total landing field			
Terminal			
Airline Rentals			
Delta Airlines	330,665	330,275	390
United Airlines	424,116	419,906	4,210
Land Transportation Facilities			
Avis Rent A Car	159,215	142,643	16,572
Budget Rent A Car	43,107	45,114	(2,007)
Enterprise Rent-A-Car	132,637	122,768	9,869
The Hertz Corporation	142,006	156,733	(14,727)
National Car Rental System	173,789	170,004	3,785
Cab companies	1,800	1,800	-
Concessions			
Standard Parking	1,367,630	1,449,568	(81,938)
Interspace	30,000	30,000	-
Utility surcharges	139,804	139,597	207
Air Freight terminal	30,096	30,096	-
Passenger facility charges	636,444	339,227	297,217
Other	130,140	120,402	9,738
	<u>3,741,449</u>	<u>3,498,133</u>	<u>243,316</u>
Total terminal			

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Operating Revenues - Continued
Years Ended June 30, 2018 and 2017

	2018	2017	Increase (Decrease)
General Aviation			
U.S. Government	\$ 172,891	\$ 186,044	\$ (13,153)
State of Nebraska	113,447	112,378	1,069
Duncan Aviation, Inc., shop hangar	887,761	785,894	101,867
Silverhawk Aviation	172,188	170,362	1,826
Hill Aero	55,216	63,961	(8,745)
Executive T-Hangar	245,058	231,033	14,025
Other T-Hangars	604,049	580,821	23,228
Other	12,510	290	12,220
	<u>2,263,120</u>	<u>2,130,783</u>	<u>132,337</u>
Total general aviation			
	<u>2,263,120</u>	<u>2,130,783</u>	<u>132,337</u>
LNK Enterprise Park			
LNK Enterprise Park	7,194,647	7,018,776	175,871
Storage annex	103,400	74,468	28,932
Enterprise Park aviation	548,702	538,673	10,029
Other	140,218	104,847	35,371
	<u>7,986,967</u>	<u>7,736,764</u>	<u>250,203</u>
Total LNK Enterprise Park			
	<u>7,986,967</u>	<u>7,736,764</u>	<u>250,203</u>
Air Park South			
Lincoln Air Park South	189,455	184,744	4,711
	<u>189,455</u>	<u>184,744</u>	<u>4,711</u>
Total operating revenues	<u>\$ 14,729,232</u>	<u>\$ 14,145,375</u>	<u>\$ 583,857</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Direct Operating Expenses
Years Ended June 30, 2018 and 2017**

	2018	2017	Increase (Decrease)
Landing Field			
Salaries	\$ 455,666	\$ 360,623	\$ 95,043
Employee benefits	192,934	130,243	62,691
Repairs and maintenance	213,075	233,954	(20,879)
Contracted services	167,948	111,453	56,495
Utilities	74,410	70,060	4,350
Insurance	53,874	37,728	16,146
Professional services	4,598	6,665	(2,067)
Other	2,977	7,617	(4,640)
	<u>1,165,482</u>	<u>958,343</u>	<u>207,139</u>
Terminal			
Salaries	557,240	501,045	56,195
Employee benefits	196,475	186,737	9,738
Repairs and maintenance	156,199	144,823	11,376
Contracted services	370,070	393,638	(23,568)
Utilities	370,550	372,092	(1,542)
Insurance	98,511	86,406	12,105
Professional services	259,022	276,448	(17,426)
Interest expense	74,576	-	74,576
Other	105,299	59,460	45,839
	<u>2,187,942</u>	<u>2,020,649</u>	<u>167,293</u>
General Aviation			
Salaries	32,359	43,738	(11,379)
Employee benefits	16,677	21,000	(4,323)
Repairs and maintenance	10,391	6,679	3,712
Contracted services	66,862	49,525	17,337
Utilities	50,598	52,431	(1,833)
Insurance	52,342	50,272	2,070
Professional services	6,605	9,688	(3,083)
Interest expense	183,787	192,798	(9,011)
	<u>419,621</u>	<u>426,131</u>	<u>(6,510)</u>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Direct Operating Expenses - Continued
Years Ended June 30, 2018 and 2017

	2018	2017	Increase (Decrease)
LNK Enterprise Park			
Salaries	\$ 367,798	\$ 358,015	\$ 9,783
Employee benefits	180,659	162,490	18,169
Repairs and maintenance	43,936	28,674	15,262
Contracted services	202,150	124,230	77,920
Utilities	196,829	174,547	22,282
Insurance	215,089	213,696	1,393
Professional services	4,598	51,478	(46,880)
Bond issuance costs	-	240,653	(240,653)
Interest expense	1,483,503	1,006,972	476,531
Bad debt expense	-	20,414	(20,414)
	<u>2,694,562</u>	<u>2,381,169</u>	<u>313,393</u>
Air Park South			
Salaries	23,347	8,755	14,592
Employee benefits	6,759	2,702	4,057
Repairs and maintenance	10,753	17,313	(6,560)
Contracted services	6,676	3,419	3,257
Utilities	19,056	17,843	1,213
Insurance	2,995	2,608	387
	<u>69,586</u>	<u>52,640</u>	<u>16,946</u>
	<u>6,537,193</u>	<u>5,838,932</u>	<u>698,261</u>
Depreciation Expense			
Landing field	1,577,049	1,704,074	(127,025)
Terminal	567,108	597,318	(30,210)
General aviation	643,543	609,150	34,393
LNK Enterprise Park	3,549,924	3,496,738	53,186
Lincoln Air Park South	40,201	40,201	-
	<u>6,377,825</u>	<u>6,447,481</u>	<u>(69,656)</u>
Total Direct Operating Expenses	<u>\$ 12,915,018</u>	<u>\$ 12,286,413</u>	<u>\$ 628,605</u>

Airport Authority of the City of Lincoln, Nebraska

Schedule of Indirect Operating Expenses Years Ended June 30, 2018 and 2017

	2018	2017	Increase (Decrease)
Public Safety			
Salaries	\$ 931,799	\$ 899,060	\$ 32,739
Employee benefits	381,340	357,223	24,117
Repairs and maintenance	86,778	81,187	5,591
Contracted services	19,494	31,899	(12,405)
Utilities	4,928	5,376	(448)
Insurance	40,284	27,179	13,105
Professional services	76,147	81,946	(5,799)
Other	12,297	15,688	(3,391)
	<u>1,553,067</u>	<u>1,499,558</u>	<u>53,509</u>
Total public safety			
Service Equipment			
Salaries	146,206	152,216	(6,010)
Employee benefits	50,222	72,479	(22,257)
Repairs and maintenance	105,993	62,141	43,852
Contracted services	7,234	4,509	2,725
Utilities	93,410	79,421	13,989
Insurance	57,071	55,170	1,901
	<u>460,136</u>	<u>425,936</u>	<u>34,200</u>
Total service equipment			
General and Administrative			
Salaries	717,231	781,702	(64,471)
Employee benefits	387,704	382,493	5,211
Repairs and maintenance	27,414	27,998	(584)
Contracted services	8,668	5,981	2,687
Utilities	56,936	54,590	2,346
Insurance	50,582	41,085	9,497
Professional services	650,442	683,857	(33,415)
Other	112,434	124,099	(11,665)
	<u>2,011,411</u>	<u>2,101,805</u>	<u>(90,394)</u>
Total general and administrative			
Depreciation Expense			
Service equipment	282,576	325,339	(42,763)
General and administrative	154,274	131,006	23,268
Public safety	1,399	233	1,166
	<u>438,249</u>	<u>456,578</u>	<u>(18,329)</u>
Total depreciation expense			
Total Indirect Operating Expenses	<u>\$ 4,462,863</u>	<u>\$ 4,483,877</u>	<u>\$ (21,014)</u>