

Airport Authority of the City of Lincoln, Nebraska

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



Airport Authority of the City of Lincoln, Nebraska

June 30, 2019 and 2018

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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, 2019 and 2018, 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 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, 2019 and 2018, 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; indirect operating expenses; expenses by natural classification; the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the schedule of passenger facility charge revenues and expenditures required by the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration, 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; indirect operating expenses; expenses by natural classification; the schedule of expenditures of federal awards; and the schedule of passenger facility charge revenues and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 also have issued our report dated October 16, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's 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
October 16, 2019

Management's Discussion and Analysis June 30, 2019 and 2018

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, 2019 and 2018, with selected comparative information for the fiscal year ended June 30, 2017. 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	
	2018	2017	2016	2018 / 2017	2017 / 2016
Enplaned passengers	145,702	154,393	162,118	-5.63%	-4.77%
Aircraft operations					
Air carrier	7,057	8,898	8,698	-20.69%	2.30%
Air taxi	6,557	5,428	4,583	20.80%	18.44%
General aviation	35,518	36,193	37,055	-1.87%	-2.33%
Military	11,843	10,481	11,750	12.99%	-10.80%
Total operations	60,975	61,000	62,086	-0.04%	-1.75%

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 2018 saw a 5% decrease in passenger numbers from 2017. LAA officials continue to work with consultants and the airlines to stabilize fares and attract new air service to Lincoln. Passenger numbers for January through August 2019 are up 15% from the same period in 2018.

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% 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		
	2019	2018	2017
Landing fee (per 1,000 lbs.)	\$ 2.35	\$ 2.30	\$ 2.25
Terminal lease rates			
Finished space (per year)	\$37.55/sq. ft.	\$36.81/sq. ft.	\$36.09/sq. ft.
Unfinished space (per year)	\$28.78/sq. ft.	\$28.22/sq. ft.	\$27.67/sq. ft.
Loading bridge fees (per month)	\$ 1,050.00	\$ 1,030.00	\$ 1,010.00

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 \$264,000 for 2019 and \$259,000 for 2018. The operation of such parking facilities generated annual gross receipts of approximately \$1,440,000 and \$1,370,000 in 2019 and 2018, 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 4% in 2019, from \$650,754 in fiscal year 2018 to \$677,187 in fiscal year 2019.

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 2018 and 2017 contract years, the Airport paid Air Host a Breakpoint Payment of \$105,000 and \$100,000 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 and built a 28,000 square foot hangar, which 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 was completed in October 2019.

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 15%) per year of the industrial complex income, which totaled approximately \$8,400,000 in 2019, up from \$8,000,000 in 2018, an increase of 5%.

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. In April 2019, Lincoln Industries entered into a lease with LAA for the former G.T. Exhaust building and in September 2019, Metalworks leased the building formerly occupied by Jacob North.

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 2019 and 2018 fiscal years. The Authority does not anticipate other major vacancies in the near future. Approximately 95% of the space in the Enterprise Park is leased as of October 2019.

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, 2019, 2018 and 2017 and its activities for the years then ended:

Condensed Balance Sheets

	June 30			Variance			
	2019	2018	2017	2019 / 2018		2018 / 2017	
				Dollars	Percent	Dollars	Percent
Current assets	\$ 16,303,172	\$ 13,653,246	\$ 12,950,227	\$ 2,649,926	19.41%	\$ 703,019	5.43%
Capital assets	95,545,543	98,411,917	103,496,830	(2,866,374)	-2.91%	(5,084,913)	-4.91%
Restricted cash and cash equivalents	3,539,959	3,839,604	3,795,046	(299,645)	-7.80%	44,558	1.17%
Deferred loss on bond refunding	817,702	876,110	934,517	(58,408)	-6.67%	(58,407)	-6.25%
Total assets and deferred outflows of resources	<u>\$ 116,206,376</u>	<u>\$ 116,780,877</u>	<u>\$ 121,176,620</u>	<u>\$ (574,501)</u>	<u>-0.49%</u>	<u>\$ (4,395,743)</u>	<u>-3.63%</u>
Current liabilities	\$ 6,326,976	\$ 4,996,766	\$ 5,227,380	\$ 1,330,210	26.62%	\$ (230,614)	-4.41%
Noncurrent liabilities	50,743,118	53,369,046	55,958,080	(2,625,928)	-4.92%	(2,589,034)	-4.63%
Total liabilities	57,070,094	58,365,812	61,185,460	(1,295,718)	-2.22%	(2,819,648)	-4.61%
Net investment in capital assets	44,852,320	45,986,867	48,293,521	(1,134,547)	-2.47%	(2,306,654)	-4.78%
Restricted for debt service	2,712,111	2,465,857	2,406,331	246,254	9.99%	59,526	2.47%
Unrestricted	11,571,851	9,962,341	9,291,308	1,609,510	16.16%	671,033	7.22%
Total liabilities and net position	<u>\$ 116,206,376</u>	<u>\$ 116,780,877</u>	<u>\$ 121,176,620</u>	<u>\$ (574,501)</u>	<u>-0.49%</u>	<u>\$ (4,395,743)</u>	<u>-3.63%</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30			Variance			
	2019	2018	2017	2019 / 2018		2018 / 2017	
				Dollars	Percent	Dollars	Percent
Operating revenue							
Airport revenue	\$ 15,414,511	\$ 14,729,232	\$ 14,145,375	\$ 685,279	4.65%	\$ 583,857	4.13%
Total operating revenue	15,414,511	14,729,232	14,145,375	685,279	4.65%	583,857	4.13%
Operating expenses							
Direct operating expenses	12,449,848	12,915,018	12,286,413	(465,170)	-3.60%	628,605	5.12%
Indirect operating expenses	4,912,705	4,462,863	4,483,877	449,842	10.08%	(21,014)	-0.47%
Total operating expenses	17,362,553	17,377,881	16,770,290	(15,328)	-0.09%	607,591	3.62%
Operating loss	(1,948,042)	(2,648,649)	(2,624,915)	700,607	26.45%	(23,734)	-0.90%
Net nonoperating revenues	1,422,023	501,822	153,565	920,201	183.37%	348,257	226.78%
Capital grants	1,247,236	570,732	1,787,021	676,504	118.53%	(1,216,289)	-68.06%
Change in net position	<u>\$ 721,217</u>	<u>\$ (1,576,095)</u>	<u>\$ (684,329)</u>	<u>\$ 2,297,312</u>	<u>145.76%</u>	<u>\$ (891,766)</u>	<u>-130.31%</u>

The change in net position from 2018 to 2019 increased by \$2,297,312. In comparing fiscal year 2018 to fiscal year 2019, operating revenues were up \$685,279 or 4.65%, and operating expenses decreased \$15,328 or 0.09%. Capital grants also increased \$676,504 from 2018 to 2019. In comparing fiscal year 2018 to fiscal year 2017, operating revenues in 2018 were up 4%, however operating expenses were up approximately 4%, and capital grants in 2018 were \$1,216,289 less when compared to 2017.

Normal depreciation was taken on capital assets during fiscal years 2019 and 2018. As of June 30, 2019, the Authority has commitments under construction in the amount of \$6,700,000 as compared to \$1,000,000 at June 30, 2018, and \$2,000,000 at June 30, 2017. The majority of these commitments are being funded by bond proceeds or federal grants.

Landing field revenues are up 8% from 2018. Landing fees from Delta and United are up 27% and 7% respectively from 2018. Effective January 1, 2019, the landing fee rate under contract was increased from \$2.30 per 1,000 pounds to \$2.35 per 1,000 pounds.

Terminal area revenues have increased in the past few years, as a result of the Authority enacting a passenger facility charge (PFC) program, and increased parking revenues. 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 \$666,212 and \$636,444 under its PFC program for the 2019 and 2018 fiscal years, respectively. Revenues received from parking at the airport increased from \$1,367,630 in 2018 to \$1,442,542 in 2019.

Revenues in the General Aviation area increased by 3% from fiscal year 2018 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 5% in fiscal year 2019 due to periodic rental rate adjustments from a variety of tenants, and tenants occupying some previously vacant facilities.

Federal grant income increased approximately \$700,000, from \$570,732 in fiscal year 2018 to \$1,247,236 in fiscal year 2019. The increase was a direct result of an increased level of work on the Runway 17/35 overlay and lighting rehabilitation project during 2019.

Direct operating expenses decreased 4% from fiscal year 2018 to 2019. Terminal direct operating expenses were down 7%, Enterprise Park direct operating expenses were down 6%, and Depreciation Expense was down 5% from 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 9% in fiscal year 2019, mostly due to salary increases and increased overtime expense.

In 2019, service equipment expenses increased by 12%, due in part to maintenance and repairs that had been postponed in prior years as well as significant wear and tear on snow removal equipment due to the abundance of snow and ice during the winter of 2018-2019.

General and administrative expenses increased in 2019 by about 14% due to an increase in salaries and professional services costs as well as significant increases in LAA's marketing and advertising efforts.

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 Rehabilitation Overlay
2. CFME (Continuous Friction Measuring Equipment) acquisition
3. Airport Master Plan
4. Runway 17/35 Replace ODALS
5. SRE (Snow Removal Equipment) Loader
6. SRE (Snow Removal Equipment) Sweeper
7. General Aviation Development
8. Runway 14/32 Rehabilitation Design
9. Terminal Ramp Rehabilitation
10. Runway 18/36 Pavement Rehabilitation

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:

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Airport Authority of the City of Lincoln, Nebraska

Balance Sheets June 30, 2019 and 2018

Assets and Deferred Outflows of Resources

	2019	2018
Current Assets		
Cash and cash equivalents	\$ 13,229,908	\$ 12,011,129
Accounts receivable, net	1,617,194	588,516
Grants receivable	1,397,777	531,161
Prepaid expenses	58,293	522,440
Total current assets	16,303,172	13,653,246
Restricted Cash and Cash Equivalents	3,539,959	3,839,604
Capital Assets, At Cost, Net of Accumulated Depreciation	95,545,543	98,411,917
Total assets	115,388,674	115,904,767
Deferred Outflows of Resources		
Deferred loss on bond refunding	817,702	876,110
Total assets and deferred outflows of resources	\$ 116,206,376	\$ 116,780,877

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 1,851,700	\$ 921,853
Current maturities of long-term debt	2,485,000	2,455,000
Unearned revenue	1,162,428	770,131
Interest payable	827,848	849,782
Total current liabilities	6,326,976	4,996,766
Noncurrent Liabilities		
Long-term debt	47,985,405	50,486,508
Compensated absences	381,361	373,080
Unearned revenue	2,376,352	2,509,458
Total noncurrent liabilities	50,743,118	53,369,046
Total liabilities	57,070,094	58,365,812
Net Position		
Net investment in capital assets	44,852,320	45,986,867
Restricted for debt service	2,712,111	2,465,857
Unrestricted	11,571,851	9,962,341
Total net position	59,136,282	58,415,065
Total liabilities and net position	\$ 116,206,376	\$ 116,780,877

**Airport Authority of the City of
Lincoln, Nebraska**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Landing field	\$ 594,425	\$ 548,241
Terminal	3,859,881	3,741,449
General aviation	2,331,955	2,263,120
LNK Enterprise Park	8,410,579	7,986,967
Air Park South	217,671	189,455
	<hr/>	<hr/>
Total operating revenues	15,414,511	14,729,232
Direct Operating Expenses		
Landing field	1,319,257	1,165,482
Terminal	2,045,070	2,187,942
General aviation	422,894	419,621
LNK Enterprise Park	2,534,073	2,694,562
Air Park South	60,778	69,586
Depreciation	6,067,776	6,377,825
	<hr/>	<hr/>
Total direct operating expenses	12,449,848	12,915,018
Operating Income After Direct Expenses	<hr/>	<hr/>
	2,964,663	1,814,214
Indirect Operating Expenses		
Public safety	1,693,615	1,553,067
Service equipment	515,957	460,136
General and administrative	2,301,372	2,011,411
Depreciation	401,761	438,249
	<hr/>	<hr/>
Total indirect operating expenses	4,912,705	4,462,863
Operating Loss	<hr/>	<hr/>
	(1,948,042)	(2,648,649)
Nonoperating Revenues		
Investment income	210,760	59,061
Farm income, net of expense	117,628	103,078
Gain on sale of assets	3,805	9,164
Insurance proceeds	-	314,371
Offutt relocation	1,050,654	-
Other	39,176	16,148
	<hr/>	<hr/>
Total nonoperating revenues	1,422,023	501,822
Decrease in Net Position Before Capital Grants	<hr/>	<hr/>
	(526,019)	(2,146,827)
Capital Grants		
State & local grants	-	25,816
Federal grants	1,247,236	544,916
	<hr/>	<hr/>
Total capital grants	1,247,236	570,732
Increase (Decrease) in Net Position	<hr/>	<hr/>
	721,217	(1,576,095)
Net Position, Beginning of Year	<hr/>	<hr/>
	58,415,065	59,991,160
Net Position, End of Year	<hr/> <hr/>	<hr/> <hr/>
	\$ 59,136,282	\$ 58,415,065

**Airport Authority of the City of
Lincoln, Nebraska
Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Operating Activities		
Cash received from providing services	\$ 15,178,368	\$ 14,420,093
Cash paid to suppliers	(4,053,388)	(4,348,839)
Cash paid to employees	(4,786,535)	(4,638,418)
Interest paid	(1,677,628)	(1,717,459)
	<u>4,660,817</u>	<u>3,715,377</u>
Noncapital Financing Activities		
Offutt relocation	531,476	-
Other receipts	39,176	330,519
	<u>570,652</u>	<u>330,519</u>
Capital and Related Financing Activities		
Purchase of property and equipment	(2,570,148)	(1,875,112)
Capital grants received	380,620	245,872
Principal payments on long-term debt	(2,455,000)	(2,405,000)
Proceeds from sale of equipment	3,805	9,164
	<u>(4,640,723)</u>	<u>(4,025,076)</u>
Investing Activities		
Farm income	117,628	103,078
Interest received on investments	210,760	59,061
	<u>328,388</u>	<u>162,139</u>
Change in Cash and Cash Equivalents	919,134	182,959
Cash and Cash Equivalents, Beginning of Year	<u>15,850,733</u>	<u>15,667,774</u>
Cash and Cash Equivalents, End of Year	<u>\$ 16,769,867</u>	<u>\$ 15,850,733</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheets		
Cash and cash equivalents	\$ 13,229,908	\$ 12,011,129
Restricted cash and cash equivalents	3,539,959	3,839,604
	<u>\$ 16,769,867</u>	<u>\$ 15,850,733</u>

Airport Authority of the City of Lincoln, Nebraska

Statements of Cash Flows - Continued Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (1,948,042)	\$ (2,648,649)
Items not requiring (providing) cash		
Depreciation	6,469,537	6,816,074
Amortization of issuance premiums	(16,103)	(16,104)
Amortization of deferred loss on bond refunding	58,408	58,407
Changes in operating assets and liabilities		
Accounts receivable	(52,786)	(175,306)
Prepaid expenses	464,147	(64,452)
Accounts payable and accrued expenses	(94,885)	(93,232)
Unearned revenue	(197,525)	(143,465)
Interest payable	(21,934)	(17,896)
Net Cash Provided by Operating Activities	\$ 4,660,817	\$ 3,715,377
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 1,040,520	\$ 7,507

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

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 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, 2019 and 2018, 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, 2019 and 2018**

**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, 2019 and 2018.

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

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.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

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

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 \$3,538,780 and \$3,279,589, for the years ended June 30, 2019 and 2018, 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. 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.”

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

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.

At June 30, 2019 and 2018, the Authority had the following investments:

	<u>Maturities in Years</u>			Credit Rating Moody's / S&P
	Total	Less Than 1	1 - 5	
June 30, 2019				
Cash held at trustee	\$ 347,084	\$ 347,084	\$ -	N/A
Government securities money market funds	3,192,875	3,192,875	-	Aaa-mf/AAAm
	<u>\$ 3,539,959</u>	<u>\$ 3,539,959</u>	<u>\$ -</u>	
	<u>Maturities in Years</u>			Credit Rating Moody's / S&P
	Total	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>	

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

Note 2: Deposits, Investments and Investment Income - Continued

Investments - Continued

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.

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, 2019 and 2018, \$3,192,875 and \$3,496,702, 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, 2019 and 2018, 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:

	2019	2018
Deposits	\$ 13,229,908	\$ 8,188,539
Investments	3,539,959	7,662,194
	\$ 16,769,867	\$ 15,850,733

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

Note 2: Deposits, Investments and Investment Income - Continued

Summary of Carrying Values - Continued

Included in the following balance sheet captions:

	2019	2018
Current assets		
Operations and maintenance fund	\$ (3,939)	\$ (372,483)
Employee pay flex	1,813	1,812
Revenue fund	2,114,367	2,061,648
Airport parking fund	1,407,583	1,331,072
Capital improvement fund	3,017,730	2,894,122
Cash reserve fund	6,208,140	6,094,492
Airport CNG station fund	1,729	466
Offutt relocation fund	482,485	-
Total cash and cash equivalents	13,229,908	12,011,129
Restricted cash and cash equivalents		
Airport bond funds	3,539,959	3,315,639
Airport bond project funds	-	523,965
Total restricted cash and cash equivalents	3,539,959	3,839,604
	\$ 16,769,867	\$ 15,850,733

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 \$210,760 and \$59,061 for the years ended June 30, 2019 and 2018, respectively, and was comprised entirely of interest income.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

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.

Note 4: Capital Assets

Capital asset activity for the years ended June 30, 2019 and 2018 was:

	2019				Ending Balance
	Beginning Balance	Additions	Less Retirements	Transfers	
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	172,944,620	-	-	204,455	173,149,075
Furniture and equipment	9,791,217	-	11,718	402,771	10,182,270
Runways	71,389,998	-	-	99,384	71,489,382
Construction in progress	2,826,993	3,603,163	-	(706,610)	5,723,546
	<u>259,303,015</u>	<u>3,603,163</u>	<u>11,718</u>	<u>-</u>	<u>262,894,460</u>
Less accumulated depreciation					
Buildings	95,239,394	4,985,871	-	-	100,225,265
Furniture and equipment	8,407,361	333,359	11,718	-	8,729,002
Runways	57,244,343	1,150,307	-	-	58,394,650
	<u>160,891,098</u>	<u>6,469,537</u>	<u>11,718</u>	<u>-</u>	<u>167,348,917</u>
Capital assets, net	<u>\$ 98,411,917</u>	<u>\$ (2,866,374)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,545,543</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

Note 4: Capital Assets - Continued

	2018				Ending Balance
	Beginning Balance	Additions	Less Retirements	Transfers	
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>

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, 2019:

Type of Debt	Maturity	Interest Rates	Original Issue Amount	Date Callable	Outstanding at June 30, 2019	Outstanding at June 30, 2018
Airport Bonds						
Series 2010	July 2019	1.25% - 3.80%	\$ 2,435,000	July 2015	\$ 230,000	\$ 450,000
Series 2011A	July 2031	0.55% - 4.00%	1,150,000	Sept. 2016	795,000	845,000
Series 2012A	July 2042	0.30% - 4.00%	4,200,000	July 2017	3,600,000	3,700,000
Series 2013A	July 2033	0.75% - 4.00%	1,265,000	July 2018	935,000	1,000,000
Series 2013B	July 2029	0.75% - 3.75%	1,440,000	July 2018	1,040,000	1,120,000
Series 2014C	July 2029	2.00% - 3.00%	3,055,000	December 2019	2,305,000	2,490,000
Series 2014D	July 2029	2.90% - 4.00%	1,020,000	December 2019	815,000	875,000
Series 2015A	July 2045	2.00% - 5.00%	10,285,000	July 2025	9,920,000	10,145,000
Series 2015B	July 2045	0.98% - 4.63%	14,010,000	July 2025	12,660,000	13,130,000
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	17,240,000	18,240,000
					<u>\$ 50,045,000</u>	<u>\$ 52,500,000</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

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, 2019:

	2019				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Airport bonds	\$ 52,500,000	\$ -	\$ 2,455,000	\$ 50,045,000	\$ 2,485,000
Issuance premium	441,508	-	16,103	425,405	-
	52,941,508	-	2,471,103	50,470,405	2,485,000
Compensated absences	622,080	314,663	300,382	636,361	255,000
Unearned revenue	3,279,589	573,840	314,649	3,538,780	1,162,428
Total long-term liabilities	<u>\$ 56,843,177</u>	<u>\$ 888,503</u>	<u>\$ 3,086,134</u>	<u>\$ 54,645,546</u>	<u>\$ 3,902,428</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	\$ 2,405,000
Issuance premium	457,612	-	16,104	441,508	-
	55,362,612	-	2,421,104	52,941,508	2,405,000
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>\$ 3,424,131</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 \$69,602,213, with annual payments expected to require approximately 28 percent of net revenues. Principal and interest for the current year and net operating revenues were \$4,132,629 and \$15,414,511, respectively.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

Note 5: Long-Term Liabilities - Continued

The debt service requirements at June 30, 2019 are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	3,876,282	2,460,000	1,416,282
2025-2029	19,661,762	13,800,000	5,861,762
2030-2034	16,660,249	13,160,000	3,500,249
2035-2039	6,757,772	5,065,000	1,692,772
2040-2044	5,170,986	4,380,000	790,986
2045-2046	1,699,065	1,630,000	69,065
	<u>\$ 69,602,213</u>	<u>\$ 50,045,000</u>	<u>\$ 19,557,213</u>

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 \$173,000 and \$172,000 for 2019 and 2018, respectively. Contributions to the plan by the Authority were approximately \$260,000 and \$270,000 for 2019 and 2018, respectively. No forfeitures were used to offset Authority contributions during 2019 and 2018. 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.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2019 and 2018

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, 2019, is as follows:

2020	\$ 10,837,956
2021	8,622,016
2022	8,002,699
2023	6,426,410
2024	5,943,720

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 \$6,700,000 at June 30, 2019, which are expected to be funded through federal grants or by the use of bond proceeds.

Note 9: Offutt Relocation Project

In April 2019, the Authority entered into an Intergovernmental Support Agreement with the United States of America, acting by and through the Secretary of the Air Force (Air Force), whereby the Air Force will utilize Authority property and facilities during the repair, restoration and modernization of the runway at Offutt Air Force Base. In connection with the Agreement, certain facility additions and other improvements will be made to Authority property to facilitate this temporary relocation. All costs of these additions and improvements will be paid for by the Air Force. Total project costs are estimated to be approximately \$27 million, and expected to be incurred through the Authority's fiscal year ended June 30, 2021. The Authority is responsible for the contracting and monitoring of any projects related to the Agreement, and will receive a service provider fee from the Air Force equal to 15% of the total cost of the projects and other services provided to the Air Force. Two percent of this service provider fee was paid to the Authority upon execution of the Agreement, with the remaining 13% to be paid as project costs are invoiced. The initial service provider fee remittance is included in unearned revenue at June 30, 2019, and will be recognized as revenue by the Authority in future reporting periods as additional project costs are incurred. Additionally, at June 30, 2019, the Authority has recorded a receivable of approximately \$976,000 from the Air Force for project costs incurred.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2019 and 2018

Note 10: 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, 2019 and 2018.

Note 11: Significant Estimates and Concentrations

Revenue Concentration

Revenues from one and two tenants comprised approximately 13% and 22% of total operating revenues for the years ended June 30, 2019 and 2018, 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, 2019

	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	\$ 15,850,733	\$ 228,889	\$ 63,878	\$ 163,769	\$ 81,438	\$ 97,697	\$ 16,476	\$ 216,117
Receipts								
Operations	15,178,368	-	-	-	-	-	-	-
Interest	210,760	1,752	469	1,554	762	914	89	1,623
Other	160,609	-	-	-	-	-	-	-
Offut relocation	531,476	-	-	-	-	-	-	-
Grants	380,620	-	-	-	-	-	-	-
Total Receipts	<u>16,461,833</u>	<u>1,752</u>	<u>469</u>	<u>1,554</u>	<u>762</u>	<u>914</u>	<u>89</u>	<u>1,623</u>
Disbursements								
Operations and maintenance	8,839,923	-	-	-	-	-	-	-
Property and equipment acquisition	2,570,148	-	-	-	-	-	16,565	-
Retirement of long-term debt	2,455,000	220,000	50,000	100,000	65,000	80,000	-	185,000
Interest	1,677,628	12,590	26,896	125,425	31,505	33,728	-	59,143
Total Disbursements	<u>15,542,699</u>	<u>232,590</u>	<u>76,896</u>	<u>225,425</u>	<u>96,505</u>	<u>113,728</u>	<u>16,565</u>	<u>244,143</u>
Transfers, net	-	237,876	76,160	228,830	95,399	112,380	-	246,491
Account Balance, End of Year	<u>\$ 16,769,867</u>	<u>\$ 235,927</u>	<u>\$ 63,611</u>	<u>\$ 168,728</u>	<u>\$ 81,094</u>	<u>\$ 97,263</u>	<u>\$ -</u>	<u>\$ 220,088</u>
Represented by								
Current Assets								
Cash and cash equivalents	\$ 13,229,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>13,229,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted Assets								
Cash and cash equivalents	3,539,959	235,927	63,611	168,728	81,094	97,263	-	220,088
	<u>3,539,959</u>	<u>235,927</u>	<u>63,611</u>	<u>168,728</u>	<u>81,094</u>	<u>97,263</u>	<u>-</u>	<u>220,088</u>
	<u>\$ 16,769,867</u>	<u>\$ 235,927</u>	<u>\$ 63,611</u>	<u>\$ 168,728</u>	<u>\$ 81,094</u>	<u>\$ 97,263</u>	<u>\$ -</u>	<u>\$ 220,088</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, 2019

	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	\$ 75,803	\$ 4,582	\$ 409,878	\$ 720,678	\$ 8,479	\$ 502,907	\$ 1,249,013
Receipts							
Operations	-	-	-	-	-	-	-
Interest	559	25	2,987	5,267	2,107	2,339	10,290
Other	-	-	-	-	-	-	-
Offut relocation	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Total Receipts	<u>559</u>	<u>25</u>	<u>2,987</u>	<u>5,267</u>	<u>2,107</u>	<u>2,339</u>	<u>10,290</u>
Disbursements							
Operations and maintenance	-	-	-	-	-	-	-
Property and equipment acquisition	-	4,607	-	-	-	505,246	-
Retirement of long-term debt	60,000	-	225,000	470,000	-	-	1,000,000
Interest	30,305	-	365,281	493,289	16,917	-	482,549
Total Disbursements	<u>90,305</u>	<u>4,607</u>	<u>590,281</u>	<u>963,289</u>	<u>16,917</u>	<u>505,246</u>	<u>1,482,549</u>
Transfers, net	<u>89,153</u>	<u>-</u>	<u>591,580</u>	<u>961,616</u>	<u>218,817</u>	<u>-</u>	<u>1,470,362</u>
Account Balance, End of Year	<u>\$ 75,210</u>	<u>\$ -</u>	<u>\$ 414,164</u>	<u>\$ 724,272</u>	<u>\$ 212,486</u>	<u>\$ -</u>	<u>\$ 1,247,116</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>75,210</u>	<u>-</u>	<u>414,164</u>	<u>724,272</u>	<u>212,486</u>	<u>-</u>	<u>1,247,116</u>
-	<u>75,210</u>	<u>-</u>	<u>414,164</u>	<u>724,272</u>	<u>212,486</u>	<u>-</u>	<u>1,247,116</u>
	<u>\$ 75,210</u>	<u>\$ -</u>	<u>\$ 414,164</u>	<u>\$ 724,272</u>	<u>\$ 212,486</u>	<u>\$ -</u>	<u>\$ 1,247,116</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, 2019

	Operations and Maintenance Fund	Revenue Fund	Airport CNG Station Fund	Capital Improvement Fund	Airport Parking Fund	Cash Reserve Fund	Airport Comp Flex Fund	Offutt Relocation Fund
Account Balance, Beginning of Year	\$ (372,483)	\$ 2,061,648	\$ 466	\$ 2,894,122	\$ 1,331,072	\$ 6,094,492	\$ 1,812	\$ -
Receipts								
Operations	-	13,735,826	-	-	1,442,542	-	-	-
Interest	-	2,018	-	63,491	269	113,648	1	596
Other	-	156,804	-	3,805	-	-	-	-
Offutt relocation	-	-	-	-	-	-	-	531,476
Grants	-	-	-	380,620	-	-	-	-
Total Receipts	<u>-</u>	<u>13,894,648</u>	<u>-</u>	<u>447,916</u>	<u>1,442,811</u>	<u>113,648</u>	<u>1</u>	<u>532,072</u>
Disbursements								
Operations and maintenance	8,800,495	-	2,737	1,063	35,628	-	-	-
Property and equipment acquisition	-	-	-	1,994,143	-	-	-	49,587
Retirement of long-term debt	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total Disbursements	<u>8,800,495</u>	<u>-</u>	<u>2,737</u>	<u>1,995,206</u>	<u>35,628</u>	<u>-</u>	<u>-</u>	<u>49,587</u>
Transfers, net	<u>9,169,039</u>	<u>(13,841,929)</u>	<u>4,000</u>	<u>1,670,898</u>	<u>(1,330,672)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Account Balance, End of Year	<u>\$ (3,939)</u>	<u>\$ 2,114,367</u>	<u>\$ 1,729</u>	<u>\$ 3,017,730</u>	<u>\$ 1,407,583</u>	<u>\$ 6,208,140</u>	<u>\$ 1,813</u>	<u>\$ 482,485</u>
Represented by								
Current Assets								
Cash and cash equivalents	<u>\$ (3,939)</u>	<u>\$ 2,114,367</u>	<u>\$ 1,729</u>	<u>\$ 3,017,730</u>	<u>\$ 1,407,583</u>	<u>\$ 6,208,140</u>	<u>\$ 1,813</u>	<u>\$ 482,485</u>
	<u>(3,939)</u>	<u>2,114,367</u>	<u>1,729</u>	<u>3,017,730</u>	<u>1,407,583</u>	<u>6,208,140</u>	<u>1,813</u>	<u>482,485</u>
Restricted Assets								
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (3,939)</u>	<u>\$ 2,114,367</u>	<u>\$ 1,729</u>	<u>\$ 3,017,730</u>	<u>\$ 1,407,583</u>	<u>\$ 6,208,140</u>	<u>\$ 1,813</u>	<u>\$ 482,485</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Operating Revenues
Years Ended June 30, 2019 and 2018**

	2019	2018	Increase (Decrease)
Landing Field			
Landing Fees			
Delta Airlines	\$ 160,946	\$ 127,036	\$ 33,910
United Airlines	250,616	234,302	16,314
Flowage Fees			
Duncan Aviation	40,894	37,165	3,729
Silverhawk Aviation	68,567	58,324	10,243
Corporate	1,353	1,981	(628)
Other	72,049	89,433	(17,384)
	<u>594,425</u>	<u>548,241</u>	<u>46,184</u>
Total landing field			
Terminal			
Airline Rentals			
Delta Airlines	340,885	330,665	10,220
United Airlines	429,077	424,116	4,961
Land Transportation Facilities			
Avis Rent A Car	178,163	159,215	18,948
Budget Rent A Car	42,471	43,107	(636)
Enterprise Rent-A-Car	133,885	132,637	1,248
The Hertz Corporation	160,364	142,006	18,358
National Car Rental System	162,304	173,789	(11,485)
Cab companies	1,700	1,800	(100)
Concessions			
Standard Parking	1,442,542	1,367,630	74,912
Interspace	23,333	30,000	(6,667)
Utility surcharges	138,668	139,804	(1,136)
Air Freight terminal	32,400	30,096	2,304
Passenger facility charges	666,212	636,444	29,768
Other	107,877	130,140	(22,263)
	<u>3,859,881</u>	<u>3,741,449</u>	<u>118,432</u>
Total terminal			

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Operating Revenues - Continued
Years Ended June 30, 2019 and 2018

	2019	2018	Increase (Decrease)
General Aviation			
U.S. Government	\$ 158,023	\$ 172,891	\$ (14,868)
State of Nebraska	114,098	113,447	651
Duncan Aviation, Inc., shop hangar	912,102	887,761	24,341
Silverhawk Aviation	181,322	172,188	9,134
Hill Aero	57,787	55,216	2,571
Executive T-Hangar	247,329	245,058	2,271
Other T-Hangars	606,852	604,049	2,803
Other	54,442	12,510	41,932
	<u>2,331,955</u>	<u>2,263,120</u>	<u>68,835</u>
Total general aviation			
LNK Enterprise Park			
LNK Enterprise Park	7,692,366	7,194,647	497,719
Storage annex	107,840	103,400	4,440
Enterprise Park aviation	536,716	548,702	(11,986)
Other	73,657	140,218	(66,561)
	<u>8,410,579</u>	<u>7,986,967</u>	<u>423,612</u>
Total LNK Enterprise Park			
Air Park South			
Lincoln Air Park South	217,671	189,455	28,216
	<u>217,671</u>	<u>189,455</u>	<u>28,216</u>
Total operating revenues	<u>\$ 15,414,511</u>	<u>\$ 14,729,232</u>	<u>\$ 685,279</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Direct Operating Expenses
Years Ended June 30, 2019 and 2018**

	2019	2018	Increase (Decrease)
Landing Field			
Salaries	\$ 510,120	\$ 455,666	\$ 54,454
Employee benefits	182,292	192,934	(10,642)
Repairs and maintenance	291,207	213,075	78,132
Contracted services	205,174	167,948	37,226
Utilities	74,596	74,410	186
Insurance	46,160	53,874	(7,714)
Professional services	5,139	4,598	541
Other	4,569	2,977	1,592
	<u>1,319,257</u>	<u>1,165,482</u>	<u>153,775</u>
Terminal			
Salaries	519,549	557,240	(37,691)
Employee benefits	178,319	196,475	(18,156)
Repairs and maintenance	138,523	156,199	(17,676)
Contracted services	283,363	370,070	(86,707)
Utilities	377,419	370,550	6,869
Insurance	102,222	98,511	3,711
Professional services	264,339	259,022	5,317
Interest expense	76,336	74,576	1,760
Other	105,000	105,299	(299)
	<u>2,045,070</u>	<u>2,187,942</u>	<u>(142,872)</u>
General Aviation			
Salaries	56,108	32,359	23,749
Employee benefits	24,780	16,677	8,103
Repairs and maintenance	12,553	10,391	2,162
Contracted services	37,699	66,862	(29,163)
Utilities	55,507	50,598	4,909
Insurance	56,926	52,342	4,584
Professional services	6,193	6,605	(412)
Interest expense	173,128	183,787	(10,659)
	<u>422,894</u>	<u>419,621</u>	<u>3,273</u>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Direct Operating Expenses - Continued
Years Ended June 30, 2019 and 2018

	2019	2018	Increase (Decrease)
LNK Enterprise Park			
Salaries	\$ 349,419	\$ 367,798	\$ (18,379)
Employee benefits	174,655	180,659	(6,004)
Repairs and maintenance	44,941	43,936	1,005
Contracted services	108,015	202,150	(94,135)
Utilities	148,123	196,829	(48,706)
Insurance	242,061	215,089	26,972
Professional services	10,196	4,598	5,598
Interest expense	1,448,535	1,483,503	(34,968)
Bad debt expense	8,128	-	8,128
	<u>2,534,073</u>	<u>2,694,562</u>	<u>(160,489)</u>
Air Park South			
Salaries	18,964	23,347	(4,383)
Employee benefits	6,041	6,759	(718)
Repairs and maintenance	8,648	10,753	(2,105)
Contracted services	5,651	6,676	(1,025)
Utilities	18,405	19,056	(651)
Insurance	3,069	2,995	74
	<u>60,778</u>	<u>69,586</u>	<u>(8,808)</u>
	<u>6,382,072</u>	<u>6,537,193</u>	<u>(155,121)</u>
Depreciation Expense			
Landing field	1,542,802	1,577,049	(34,247)
Terminal	454,240	567,108	(112,868)
General aviation	551,164	643,543	(92,379)
LNK Enterprise Park	3,479,369	3,549,924	(70,555)
Lincoln Air Park South	40,201	40,201	-
	<u>6,067,776</u>	<u>6,377,825</u>	<u>(310,049)</u>
Total Direct Operating Expenses	<u>\$ 12,449,848</u>	<u>\$ 12,915,018</u>	<u>\$ (465,170)</u>

Airport Authority of the City of Lincoln, Nebraska

Schedule of Indirect Operating Expenses Years Ended June 30, 2019 and 2018

	2019	2018	Increase (Decrease)
Public Safety			
Salaries	\$ 1,036,563	\$ 931,799	\$ 104,764
Employee benefits	405,811	381,340	24,471
Repairs and maintenance	85,220	86,778	(1,558)
Contracted services	23,066	19,494	3,572
Utilities	5,824	4,928	896
Insurance	41,592	40,284	1,308
Professional services	74,548	76,147	(1,599)
Other	20,991	12,297	8,694
Total public safety	<u>1,693,615</u>	<u>1,553,067</u>	<u>140,548</u>
Service Equipment			
Salaries	131,236	146,206	(14,970)
Employee benefits	60,209	50,222	9,987
Repairs and maintenance	134,714	105,993	28,721
Contracted services	9,121	7,234	1,887
Utilities	118,712	93,410	25,302
Insurance	61,965	57,071	4,894
Total service equipment	<u>515,957</u>	<u>460,136</u>	<u>55,821</u>
General and Administrative			
Salaries	746,981	717,231	29,750
Employee benefits	399,581	387,704	11,877
Repairs and maintenance	30,579	27,414	3,165
Contracted services	8,577	8,668	(91)
Utilities	59,335	56,936	2,399
Insurance	48,163	50,582	(2,419)
Professional services	865,046	650,442	214,604
Other	143,110	112,434	30,676
Total general and administrative	<u>2,301,372</u>	<u>2,011,411</u>	<u>289,961</u>
Depreciation Expense			
Service equipment	260,641	282,576	(21,935)
General and administrative	139,721	154,274	(14,553)
Public safety	1,399	1,399	-
Total depreciation expense	<u>401,761</u>	<u>438,249</u>	<u>(36,488)</u>
Total Indirect Operating Expenses	<u>\$ 4,912,705</u>	<u>\$ 4,462,863</u>	<u>\$ 449,842</u>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Expenses by Natural Classification
Years Ended June 30, 2019 and 2018

Expenses	2019	2018	Increase (Decrease)
Salaries	\$ 3,368,940	\$ 3,231,646	\$ 137,294
Employee benefits	1,431,688	1,412,770	18,918
Repairs and maintenance	746,385	654,539	91,846
Contracted services	680,666	849,102	(168,436)
Utilities	857,921	866,717	(8,796)
Insurance	602,158	570,748	31,410
Professional services	1,225,461	1,001,412	224,049
Interest expense	1,697,999	1,741,866	(43,867)
Bad debt expense	8,128	-	8,128
Other	273,670	233,007	40,663
Depreciation expense	6,469,537	6,816,074	(346,537)
Total Expenses	\$ 17,362,553	\$ 17,377,881	\$ (15,328)

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal/Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Transportation/ Federal Aviation Administration/ Airport Improvement Program	20.106	3-31-0050-53 3-31-0050-57	\$ - -	\$ 1,184,714 62,522
			<u>\$ -</u>	<u>\$ 1,247,236</u>

**Airport Authority of the City of
Lincoln, Nebraska**
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Airport Authority of the City of Lincoln, Nebraska (the Authority) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Passenger Facility Charge Revenues and Expenditures
Year Ended June 30, 2019

	Date Approved	Amount Approved For Use	Cumulative Total - July 1, 2018	Quarter Ended				Year Ended June 30, 2019	Cumulative Total - June 30, 2019
				September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019		
Revenues									
Passenger facility charge revenues received			\$ 874,902	\$ 155,560	\$ 218,765	\$ 101,835	\$ 178,957	\$ 655,117	\$ 1,530,019
Interest earned			-	-	-	-	-	-	-
Total passenger facility charge revenue received			<u>\$ 874,902</u>	<u>\$ 155,560</u>	<u>\$ 218,765</u>	<u>\$ 101,835</u>	<u>\$ 178,957</u>	<u>\$ 655,117</u>	<u>\$ 1,530,019</u>
Expenditures									
Application 16-01-C-00-LNK	August 1, 2017	\$ 5,411,638	\$ 874,902	\$ 155,560	\$ 218,765	\$ 101,835	\$ 178,957	\$ 655,117	\$ 1,530,019
Total passenger facility charge revenue expended		<u>\$ 5,411,638</u>	<u>\$ 874,902</u>	<u>\$ 155,560</u>	<u>\$ 218,765</u>	<u>\$ 101,835</u>	<u>\$ 178,957</u>	<u>\$ 655,117</u>	<u>\$ 1,530,019</u>

Notes to Schedule:

1. Revenues and expenditures on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Authority to the Federal Aviation Administration (FAA).

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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 financial statements of the Airport Authority of the City of Lincoln, Nebraska (the Authority), which comprise the balance sheet as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Lincoln, Nebraska
October 16, 2019

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 the Major Federal Program

We have audited the Airport Authority of the City of Lincoln, Nebraska's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2019. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BKD, LLP

Lincoln, Nebraska
October 16, 2019

Report on Compliance for the Passenger Facility Charge 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 the Passenger Facility Charge Program

We have audited the Airport Authority of the City of Lincoln, Nebraska's (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (Guide) that could have a direct and material effect on the Authority's passenger facility charge program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the 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 the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Passenger Facility Charge 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 its passenger facility charge program for the year ended June 30, 2019.

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 its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BKD, LLP

Lincoln, Nebraska
October 16, 2019

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? Yes None Reported
 Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
 Significant deficiency(ies)? Yes None Reported
 Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for the major federal awards program was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. The Authority's major program was:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2019**

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The Authority qualified as a low-risk auditee? Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

**Airport Authority of the City of
Lincoln, Nebraska**
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Reference Number	Summary of Finding	Status
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No matters are reportable.

**Airport Authority of the City of
Lincoln, Nebraska
Passenger Facility Charge Audit Summary
Year Ended June 30, 2019**

Summary of Auditor's Results

- | | | | |
|--|--|------------------------------------|---|
| 1. Type of report issued on PFC financial statements. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 2. Type of report on PFC compliance. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 3. Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 4. PFC revenue and interest is accurately reported on FAA Form 5100-127. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the project. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 10. Quarterly reports were transmitted (or available via website) to remitting carriers. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 13. Program administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence. | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |