

Airport Authority of the City of Lincoln, Nebraska

Independent Auditor's Reports and Financial Statements

June 30, 2022



**Airport Authority of the City of
Lincoln, Nebraska
June 30, 2022**

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Airport Authority of the City of Lincoln, Nebraska (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, the Authority adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's 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, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, 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 fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, 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.

FORVIS,LLP

Lincoln, Nebraska
March 27, 2023

Management's Discussion and Analysis

June 30, 2022

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 year ended June 30, 2022, with selected comparative information for the fiscal year ended June 30, 2021. 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 and deferred inflows and outflows of resources 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 5,000 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
	2021	2020	2022/2021
Enplaned passengers	85,614	51,350	66.73%
Aircraft operations			
Air carrier	5,512	3,822	44.22%
Air taxi	8,389	6,833	22.77%
General aviation	41,118	37,129	10.74%
Military	17,592	11,429	53.92%
Total operations	72,611	59,213	22.63%

Most passengers begin or end their travel in the City rather than connecting for flights to other communities. The airport is in close proximity to Omaha's Eppley Airfield. Calendar year 2021 saw a 66% increase in passenger numbers from 2020, a 48% decrease from 2019 pre-pandemic numbers. LAA officials continue to work with consultants and the airlines to stabilize fares and attract new air service to Lincoln.

Lincoln is currently served by United Airlines providing daily service. United Airlines provides daily flights to Chicago and Denver, and in September 2022, added daily flights to Houston. The Airport Authority will continue to explore service options with various airlines, as we come out of the pandemic and new travel patterns and industry changes emerge.

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 7 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	
	2022	2021
Landing fee (per 1,000 lbs.)	\$ 2.40	\$ 2.40
Terminal lease rates		
Finished space (per year)	\$38.30/sq. ft.	\$38.30/sq. ft.
Unfinished space (per year)	\$29.36/sq. ft.	\$29.36/sq. ft.
Loading bridge fees (per month)	\$ 1,070.00	\$ 1,070.00

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 \$298,216 for 2022 and \$204,075 for 2021. The operation of such parking facilities generated annual gross receipts of approximately \$836,900 and \$355,000 in 2022 and 2021, 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 59% in 2022, from \$398,394 in fiscal year 2021 to \$631,036 in fiscal year 2022.

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 \$20,000.

Beginning November 1, 2019, the Authority entered into an agreement with Tailwind LNK, LLC to manage, operate, maintain, and promote the restaurant/bar and gift shop operation in the terminal building. The agreement calls for Tailwind to pay the Authority a percentage fee of gross receipts during the contract year according to the following schedule:

- \$750,000 or less – 11%
- \$750,000 but less than \$1,000,000 – 12 %
- \$1,000,000 or more – 13%

The contract also specifies a Minimum Annual Guarantee of \$54,000 (to be adjusted annually) to be paid to the Authority, regardless of gross receipts. The first few months of the contract were very positive, with Tailwind seeing sales higher than the previous concessionaire. However, the dramatic decrease in passengers due to the pandemic adversely affected Tailwind’s operation. The Authority has waived the Minimum Annual Guarantee until conditions improve.

General aviation revenue has continued to remain stable in the current year. In April 2021, Silverhawk Aviation (previously a fixed-based operator) sold part of its operation to Ross Aviation. Silverhawk continues to operate charters and is now considered to be a specialized aviation service operation (SASO). Ross Aviation took over the fixed-based operator aspects of the business. In July 2022, Atlantic Aviation and Ross Aviation completed a business merger and operate under the Atlantic Aviation brand name. In addition, Performance Aircraft (dba Ignite Flight Academy) continues to operate a flight school and conduct aircraft sales.

The Airport has 172 aircraft storage hangars available for general aviation use and 5 private corporate hangars. The airport continues to see 85-90% 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.

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 96% of the 2,207,000 square feet available. These leases vary in length from month-to-month to 30 years and include diverse tenants. The industrial complex income totaled approximately \$13,800,000 in 2022, up from \$9,800,000 in 2021, an increase of 41%, mainly due to the temporary presence of the United States Air Force (USAF) relocation from Omaha.

Some of the other entities leasing space from the Authority include Duncan Aviation, 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 2022 and 2021 fiscal years. The Authority does not anticipate other major vacancies in the near future. Approximately 96% of the leasable space in the Enterprise Park is leased as of October 2022.

Overall even during the pandemic, the Airport Authority's financial outlook remained strong, primarily due to its wide diversification both on the airfield, with a strong general aviation community, and in the industrial park with a wide variety of unrelated industries leasing space. Though the Airport Authority experienced significant revenue loss in several revenue line items in the Terminal area due to the decrease in passengers during the pandemic and does continue to experience some moderate revenue loss, the receipt of funds through the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, and the Airport Coronavirus Response Grant Program, as well as the American Rescue Plan Act of 2021 (ARPA), primarily through 2021, have been used to replace those revenue losses and have allowed the Authority to remain very stable financially.

The following condensed financial statements summarize the financial position of the Authority as of June 30, 2022 and 2021 and its activities for the years then ended (the condensed financial information for 2021 has not been adjusted for the impacts of the Authority's implementation of GASB 87 during 2022).

Condensed Balance Sheets

	June 30		Variance	
	2022	2021	2022 / 2021 Dollars	Percent
Current assets	\$ 25,890,527	\$ 21,667,232	\$ 4,223,295	19.49%
Restricted cash and investments	50,589,651	3,301,576	47,288,075	1432.29%
Leases receivable, noncurrent	69,043,532	-	69,043,532	100.00%
Capital assets	131,593,201	121,867,094	9,726,107	7.98%
Deferred loss on bond refunding	642,480	700,888	(58,408)	-8.33%
Total assets and deferred outflows of resources	<u>\$ 277,759,391</u>	<u>\$ 147,536,790</u>	<u>\$ 130,222,601</u>	<u>88.26%</u>
Current liabilities	\$ 13,347,240	\$ 7,118,010	\$ 6,229,230	87.51%
Noncurrent liabilities	95,739,048	45,770,508	49,968,540	109.17%
Deferred inflows of resources	74,246,288	-	74,246,288	100.00%
Total liabilities and deferred inflows	<u>183,332,576</u>	<u>52,888,518</u>	<u>130,444,058</u>	<u>246.64%</u>
Net investment in capital assets	72,118,584	74,664,539	(2,545,955)	-3.41%
Restricted for debt service	3,650,775	2,516,373	1,134,402	45.08%
Unrestricted	18,657,456	17,467,360	1,190,096	6.81%
Total liabilities, deferred inflows and net position	<u>\$ 277,759,391</u>	<u>\$ 147,536,790</u>	<u>\$ 130,222,601</u>	<u>88.26%</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30		Variance	
	2022	2021	2022 / 2021 Dollars	Percent
Operating revenue				
Airport revenue	\$ 19,393,966	\$ 14,405,165	\$ 4,988,801	34.63%
Total operating revenue	<u>19,393,966</u>	<u>14,405,165</u>	<u>4,988,801</u>	<u>34.63%</u>
Operating expenses				
Direct operating expenses	15,768,518	13,929,366	1,839,152	13.20%
Indirect operating expenses	4,439,835	3,969,917	469,918	11.84%
Total operating expenses	<u>20,208,353</u>	<u>17,899,283</u>	<u>2,309,070</u>	<u>12.90%</u>
Operating loss	(814,387)	(3,494,118)	2,679,731	76.69%
Net nonoperating revenues (expenses)	(6,611,528)	5,705,374	(12,316,902)	-215.88%
Capital grants	7,204,458	4,386,300	2,818,158	64.25%
Change in net position	<u>\$ (221,457)</u>	<u>\$ 6,597,556</u>	<u>\$ (6,819,013)</u>	<u>-103.36%</u>

The change in net position from 2021 to 2022 decreased \$6,819,013, primarily as a result of the removal and write-off (\$7,200,000) of the hangar utilized by the USAF during their temporary tenancy at the airport. The initial contract with the USAF included compensation to the third-party contractor for deconstruction of this hangar upon their exit and termination of the contract. In comparing fiscal year 2021 to fiscal year 2022, operating revenues increased \$4,988,801 or 34.63% and operating expenses increased \$2,309,070 or 12.9%.

Normal depreciation was taken on capital assets during fiscal years 2022 and 2021. As of June 30, 2022, the Authority has construction in process in the amount of \$43,068,869 as compared to \$30,445,546 at June 30, 2021. The majority of this construction is being funded by bond proceeds or federal grants.

Landing field revenues are up 59% from 2021. Landing fees from United are up 80% from 2021. Effective January 1, 2020, the landing fee rate under contract was increased from \$2.35 per 1,000 pounds to \$2.40 per 1,000 pounds. Those rates remained unchanged for calendar year 2022. The increase in revenues can be attributed to the resumption of commercial aviation activity post-pandemic.

During 2022, terminal area revenues increased \$604,305 or 32% from 2021 as a result of increased enplanements as passenger activity has increased as the pandemic restrictions have been lifted. Under the PFC program, the Authority collects PFC fees of \$4.50 for every enplaned passenger departing from or arriving into the Lincoln airport. The Authority recorded revenues in the amount of \$390,519 and \$209,766 under its PFC program for the 2022 and 2021 fiscal years, respectively. Revenues received from parking at the airport increased from \$355,439 in 2021 to \$836,900 in 2022, also due to the resumption of passenger activity related to easing of the pandemic restrictions.

Revenues in LNK Enterprise Park increased by approximately 41% in fiscal year 2022, due mostly to the temporary facility use activity related to the Offutt relocation. Also contributing to the increase in LNK Enterprise Park revenues were periodic rental rate adjustments from a variety of tenants.

Federal grant income increased \$1,226,648 from \$5,589,000 in fiscal year 2021 to \$6,817,648 in fiscal year 2022. The increase was primarily a result of the substantial completion of the Taxiway A and Taxilane K Rehabilitation projects during 2022, offset slightly by a decrease in grant monies awarded to LAA under the CARES Act and the Airport Coronavirus Response Grant Program.

Revenues and capital contributions from the Offutt relocation project decreased from \$4,228,365 in fiscal year 2021 to \$592,373 in fiscal year 2022. See further discussion of this relocation project in Note 8.

In July 2021, the Authority issued \$45,105,000 of tax-exempt Airport Bonds, Series 2021. Including the issuance premium, the Authority received net bond proceeds totaling \$56,000,458, which will be used for the purpose of constructing, expanding, modernizing and equipping the airport terminal and the improvement of certain airport access roads. The Series 2021 bonds are due in annual installments, with a final stated maturity of July 1, 2036, and bear interest at rates ranging from 4.0% - 5.0%. Additionally, in June 2021, the Authority's board of directors approved a budget which included a 1.75 cent property tax levy, the proceeds of which will be used to help satisfy the debt service requirements on the Series 2021 bonds. The property tax levy went into effect in January 2022 and the Authority collected property tax revenues during fiscal year 2022 of \$1,226,323 and accrued a receivable of \$779,259 for remaining 2021 taxes to be collected, for total property tax revenues of \$2,005,582.

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. General Aviation Development
2. Runway 18/36 Rehabilitation Design
3. Terminal Ramp Rehabilitation
4. Runway 18/36 Pavement Rehabilitation
5. Runway 14/32 Pavement and Lighting System Rehabilitation
6. Taxiway Rehabilitation – Asphaltic Pavement Sections
7. Runway 17/35 Sealcoat
8. Aircraft Run-up Pad
9. SRE (Snow Removal Equipment) Storage Building

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 general obligation debt funded growth in LNK Enterprise Park less attractive in the near future. As a result, the Airport is evaluating potential development alternatives, including revenue bonds and 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 Sheet

June 30, 2022

Assets and Deferred Outflows of Resources

Current Assets	
Cash and cash equivalents	\$ 14,557,521
Accounts receivable, net	1,630,818
Grants receivable	3,493,551
Lease receivable	4,752,459
Lease interest receivable	348,051
Property tax receivable	779,259
Prepaid expenses	328,868
Total current assets	25,890,527
Restricted Cash and Cash Equivalents	12,466,889
Restricted Investments	38,122,762
Lease Receivable, net of Current Portion	69,043,532
Capital Assets, At Cost, Net of Accumulated Depreciation	131,593,201
Total assets	277,116,911
Deferred Outflows of Resources	
Loss on bond refunding	642,480
Total assets and deferred outflows of resources	\$ 277,759,391

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities	
Accounts payable and accrued expenses	\$ 6,045,599
Current maturities of long-term debt	3,495,000
Unearned revenue	908,499
Interest payable	2,898,142
Total current liabilities	13,347,240
Noncurrent Liabilities	
Long-term debt	95,301,850
Compensated absences	437,198
Total noncurrent liabilities	95,739,048
Total liabilities	109,086,288
Deferred Inflows of Resources	
Leases	74,246,288
Net Position	
Net investment in capital assets	72,118,584
Restricted for debt service	3,650,775
Unrestricted	18,657,456
Total net position	94,426,815
Total liabilities, deferred inflows of resources and net position	\$ 277,759,391

**Airport Authority of the City of
Lincoln, Nebraska**
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

Operating Revenues	
Landing field	\$ 542,020
Terminal	2,465,076
General aviation	2,422,758
LNK Enterprise Park	13,809,018
Air Park South	155,094
	<hr/>
Total operating revenues	19,393,966
Direct Operating Expenses	
Landing field	1,133,953
Terminal	4,037,128
General aviation	449,803
LNK Enterprise Park	3,872,935
Air Park South	46,089
Depreciation	6,228,610
	<hr/>
Total direct operating expenses	15,768,518
Operating Income After Direct Expenses and Before Indirect Operating Expenses	<hr/> 3,625,448
Indirect Operating Expenses	
Public safety	197,924
Service equipment	624,344
General and administrative	3,005,367
Depreciation	612,200
	<hr/>
Total indirect operating expenses	4,439,835
Operating Loss	<hr/> (814,387)
Nonoperating Revenues and Expenses	
Investment loss	(30,278)
Interest expense	(1,473,387)
Bond issuance costs	(302,306)
Farm income, net of expense	160,954
Loss on disposal of assets	(7,222,219)
Offutt relocation	205,563
Property tax revenues	2,005,582
Other	44,563
	<hr/>
Total nonoperating expenses, net	(6,611,528)
Loss Before Capital Grants	<hr/> (7,425,915)
Capital Grants	
Offutt relocation	386,810
Federal grants	6,817,648
	<hr/>
Total capital grants	7,204,458
Decrease in Net Position	<hr/> (221,457)
Net Position, Beginning of Year	<hr/> 94,648,272
Net Position, End of Year	<hr/> \$ 94,426,815 <hr/>

**Airport Authority of the City of
Lincoln, Nebraska
Statement of Cash Flows
Year Ended June 30, 2022**

Cash Flows From Operating Activities	
Cash received from customers and tenants	\$ 17,235,889
Cash paid to suppliers	(6,626,788)
Cash paid to employees	(5,516,803)
Interest paid	<u>(1,539,206)</u>
Net cash provided by operating activities	<u>3,553,092</u>
Cash Flows From Noncapital Financing Activities	
Offutt relocation	205,563
Property tax collections	1,226,323
Other receipts	<u>44,563</u>
Net cash provided by noncapital financing activities	<u>1,476,449</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of property and equipment	(20,913,740)
Proceeds from disposal of property and equipment	238,975
Proceeds from issuance of debt	56,000,458
Capital grants received	5,621,027
Principal payments on long-term debt	<u>(2,345,000)</u>
Net cash provided by capital and related financing activities	<u>38,601,720</u>
Cash Flows From Investing Activities	
Purchases of investments	(38,251,276)
Farm income	160,954
Interest received on investments	<u>98,236</u>
Net cash used in investing activities	<u>(37,992,086)</u>
Net Increase in Cash and Cash Equivalents	5,639,175
Cash and Cash Equivalents, Beginning of Year	<u>21,385,235</u>
Cash and Cash Equivalents, End of Year	<u>\$ 27,024,410</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheets	
Cash and cash equivalents	\$ 14,557,521
Restricted cash and cash equivalents	<u>12,466,889</u>
	<u>\$ 27,024,410</u>

Airport Authority of the City of Lincoln, Nebraska

Statement of Cash Flows - Continued Year Ended June 30, 2022

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating loss	\$ (814,387)
Items not requiring (providing) cash	
Depreciation	6,840,810
Amortization of issuance premiums	(75,354)
Amortization of deferred loss on bond refunding	58,408
Changes in operating assets and liabilities	
Accounts receivable	(277,421)
Leases and lease interest receivable	5,373,284
Prepaid expenses	(8,812)
Accounts payable and accrued expenses	(167,557)
Unearned revenue	18,838
Interest payable	(102,841)
Deferred leasing arrangements	(7,291,876)
	<hr/>
Net Cash Provided by Operating Activities	\$ 3,553,092
	<hr/> <hr/>
Supplemental Cash Flows Information	
Capital asset acquisitions included in accounts payable	\$ 5,360,981

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2022

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.

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 and other contributions) 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, 2022, 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. The Authority's investments in U.S. Treasury securities are carried at fair value. Investment income includes dividend and interest income.

**Airport Authority of the City of
Lincoln, Nebraska
Notes to Financial Statements
June 30, 2022**

**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, 2022.

Leases Receivable

The Authority is a lessor for noncancellable leases for land and facility use, and rent of buildings and other facilities on Authority property and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2022

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

Deferred Inflows and Outflows of Resources

The Authority reports increases in net assets that relate to future reporting periods as deferred outflows of resources in a separate section of its balance sheet. The Authority's deferred outflows of resources represent costs incurred in connection with the refinancing of various bond issuances, and are being amortized into interest expense over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Deferred inflows of resources represent acquisitions of net assets that apply to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources represent deferrals related to leases in accordance with GASB Statement No. 87, *Leases*.

Grants

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

Compensated Absences

Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, partially, as a cash payment. The Authority also has a deferred compensation program for management employees, which accrues as service is provided. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned up to a certain percentage to the extent the employee is expected to realize the benefit in cash, either upon retirement or death, or as a partial cash payment if the employee has been employed by the Authority for five years or longer. 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 by tenants, which relate to future year commitments. All unearned revenue recorded by the Authority at June 30, 2022 relates to lease payments for fiscal year 2023.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2022

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

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.”

Property Taxes

Property taxes are levied by the Authority on or before October 15 of each year and are payable in two installments on April 1 and August 1 of the following year. Lancaster County bills and collects property taxes and remits to the Authority monthly. Revenue for property taxes is recognized based on the amount levied within the Authority’s fiscal year.

The tax levy for the 2021-2022 fiscal year was \$2,040,000 or \$.0076320 per \$100 of assessed valuation. The total assessed valuation for which the Authority’s property taxes were levied was \$26,730,353,054 for the 2021-2022 fiscal year.

Change in Accounting Principle

During the fiscal year, the Authority adopted Governmental Accounting Standards Board Statement No. 87, *Leases*, effective July 1, 2021. The adoption of GASB 87 did not result in a restatement of beginning net position within the Authority’s 2022 financial statements. Lease receivable and deferred inflows of resources-leases were restated as of July 1, 2021 in the amounts of \$79,517,326 and \$81,538,164, respectively, the difference of which results from unearned revenues for certain leases now being included within deferred inflows of resources-leases.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2022

Note 2: Deposits, Investments and Investment Loss

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, 2022, the Authority had the following investments and maturities:

	Maturities in Years			Credit
Total	Less Than 1	1 - 5	Moody's / S&P	
Government securities				
money market funds	\$ 12,466,889	\$ 12,466,889	\$ -	Aaa-mf/AAAm
U.S. Treasury securities	38,122,762	32,776,239	5,346,523	Aaa
	\$ 50,589,651	\$ 45,243,128	\$ 5,346,523	

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.

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

**Notes to Financial Statements
June 30, 2022**

Note 2: Deposits, Investments and Investment Loss - Continued

Investments – Continued

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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, 2022, all of the Authority's investments totaling \$50,589,651, are held with one financial depository. This financial depository also serves as the Trustee or Paying Agent for all of the Authority's bonded debt.

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 cost and thus are not included within the fair value hierarchy. The Authority's investments in U.S. Treasury securities are measured at fair value on a recurring basis, and are classified within Level 1 of the fair value hierarchy.

Summary of Carrying Values

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

Deposits	\$ 14,557,521
Investments	<u>50,589,651</u>
	<u><u>\$ 65,147,172</u></u>

**Airport Authority of the City of
Lincoln, Nebraska**
Notes to Financial Statements
June 30, 2022

Note 2: Deposits, Investments and Investment Return - Continued

Summary of Carrying Values - Continued

Included in the following balance sheet captions:

Current assets	
Operations and maintenance fund	\$ (212,644)
Airport comp flex fund	1,899
Revenue fund	4,553,936
Airport parking fund	857,418
Capital improvement fund	2,938,601
Cash reserve fund	6,348,278
Airport CNG station fund	977
Offutt relocation fund	12,715
Tax levy fund	<u>56,341</u>
Total cash and cash equivalents	<u>14,557,521</u>
Restricted cash and cash equivalents	
Airport bond funds	6,548,917
Airport bond project fund	<u>5,917,972</u>
Total restricted cash and cash equivalents	<u>12,466,889</u>
Restricted investments	
Airport bond project fund	<u>38,122,762</u>
	<u><u>\$ 65,147,172</u></u>

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. Funds in the airport bond project fund are comprised entirely of proceeds from the Authority's Series 2021 bond issuance and will be used towards the cost of the terminal modernization and expansion project and the improvement of certain airport access roads.

Investment Loss

Investment loss was \$30,278 for the year ended June 30, 2022 and was comprised of the following:

Interest and dividend income	\$ 98,236
Net decrease in fair value of investments	<u>(128,514)</u>
	<u><u>\$ (30,278)</u></u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2022

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2022 was:

	Beginning Balance	Additions	Less Retirements	Transfers	Ending Balance
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	177,464,840	-	-	3,219,564	180,684,404
Furniture and equipment	12,083,391	-	162,886	426,113	12,346,618
Runways	79,688,286	-	-	358,375	80,046,661
Construction in progress	30,445,546	24,028,111	7,400,736	(4,004,052)	43,068,869
	<u>302,032,250</u>	<u>24,028,111</u>	<u>7,563,622</u>	<u>-</u>	<u>318,496,739</u>
Less accumulated depreciation					
Buildings	109,972,421	4,834,524	-	-	114,806,945
Furniture and equipment	9,514,137	559,751	102,428	-	9,971,460
Runways	60,678,598	1,446,535	-	-	62,125,133
	<u>180,165,156</u>	<u>6,840,810</u>	<u>102,428</u>	<u>-</u>	<u>186,903,538</u>
Capital assets, net	<u>\$ 121,867,094</u>	<u>\$ 17,187,301</u>	<u>\$ 7,461,194</u>	<u>\$ -</u>	<u>\$ 131,593,201</u>

Note 4: Long-Term Liabilities

The following is a summary of the terms and provisions of the Authority's long-term debt outstanding at June 30, 2022:

Type of Debt	Maturity	Interest Rates	Original Issue Amount	Date Callable	Outstanding at June 30, 2022
Airport Bonds					
Series 2015A	July 2045	2.00% - 5.00%	\$ 10,285,000	July 2025	\$ 9,220,000
Series 2015B	July 2045	0.98% - 4.63%	14,010,000	July 2025	11,200,000
Series 2015C	July 2025	3.35%	505,000	Not Callable	505,000
Series 2016A	July 2033	1.04% - 3.57%	19,375,000	July 2026	14,190,000
Series 2019A	July 2036	4.00%	7,025,000	December 2029	6,285,000
Series 2019B	July 2029	1.95% - 2.55%	730,000	Not Callable	620,000
Series 2021	July 2036	4.00% - 5.00%	45,105,000	July 2031	45,105,000
					<u>\$ 87,125,000</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2022

Note 4: Long-Term Liabilities - Continued

The following is a summary of long-term liability transactions for the Authority for the year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Airport bonds	\$ 44,365,000	\$ 45,105,000	\$ 2,345,000	\$ 87,125,000	\$ 3,495,000
Issuance premium	1,291,833	11,197,764	817,747	11,671,850	-
	45,656,833	56,302,764	3,162,747	98,796,850	3,495,000
Compensated absences	757,861	353,743	383,406	728,198	291,000
Total long-term liabilities	<u>\$ 46,414,694</u>	<u>\$ 56,656,507</u>	<u>\$ 3,546,153</u>	<u>\$ 99,525,048</u>	<u>\$ 3,786,000</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 \$120,659,744 with annual payments expected to require approximately 20 percent of net revenues. Principal and interest for the current year and net operating revenues were \$3,884,206 and \$19,393,966, respectively.

The debt service requirements at June 30, 2022 are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	\$ 8,172,975	\$ 3,495,000	\$ 4,677,975
2024	8,160,195	4,690,000	3,470,195
2025	8,167,418	4,885,000	3,282,418
2026	8,655,354	5,580,000	3,075,354
2027	8,128,740	5,275,000	2,853,740
2028-2032	39,245,947	28,570,000	10,675,947
2033-2037	32,446,422	28,230,000	4,216,422
2038-2042	4,272,750	3,260,000	1,012,750
2043-2047	3,409,943	3,140,000	269,943
	<u>\$ 120,659,744</u>	<u>\$ 87,125,000</u>	<u>\$ 33,534,744</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2022

Note 5: Retirement Plans

Retirement Plan and Trust

The Authority has a 401(a) retirement plan commonly known as a governmental money purchase pension plan, a defined contribution plan covering substantially all employees. The Plan custodian and trustee is Union Bank & Trust Company. 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 \$206,000 for 2022. Contributions to the plan by the Authority were approximately \$355,000 for 2022. No forfeitures were used to offset Authority contributions during 2022. The Plan has a 10-year vesting schedule for Authority contributions.

457 Deferred Compensation Plan and Trust

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. No contributions were made to this plan by the Authority during 2022.

Note 6: Leases

A substantial portion of the Authority's revenues from the terminal, fixed based and industrial park are derived pursuant to lease agreements which expire in varying terms through 2069. 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. For purposes of the Authority's calculation of its lease receivable, only leases with terms greater than 12 months and for which lease payments are fixed under the respective agreement were included in the calculation. A majority of the Authority's lease agreements also contain provisions allowing the lessee to extend the term of the agreement for specified renewal periods. Based on historical experience and current facts and circumstances, Authority management has evaluated these renewal periods and included them within the lease term, for purposes of the determination of the lease receivable, where appropriate. During these renewal periods, the respective lease agreement also provides for future lease payments that will be negotiated between the lessee and Authority management prior to commencement of the renewal period, with an increase not to exceed a percentage specified in the agreement. In these instances, potential future lease payment increases were not included in the determination of the lease receivable balance and will be recognized as variable lease revenues in future periods. Revenue recognized under the lease contracts referenced above totaled approximately \$14,560,000 for the year ended June 30, 2022 and includes both lease revenue and interest.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2022

Note 6: Leases - Continued

The Authority has one lease agreement with an air carrier which meets the definition of a regulated lease as defined in GASB 87. This agreement provides for the exclusive use of certain areas of the airport terminal, including ticketing, office and operations, cargo dock and processing, passenger holding, and baggage claim. The initial terms of the lease agreement provided for fixed payments through December 31, 2021. The revised lease agreement is currently on a month-to-month basis and provides for monthly lease payments based on an allocation formula utilizing enplanements. The Authority recorded revenues of approximately \$315,000 related to this lease agreement for the year ended June 30, 2022.

Below is a schedule of future payments that are included in the measurement of the lease receivable at June 30, 2022:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	\$ 8,310,547	\$ 4,752,459	\$ 3,558,088
2024	7,307,739	3,959,913	3,347,826
2025	7,078,412	3,930,240	3,148,172
2026	6,429,435	3,465,904	2,963,531
2027	6,371,247	3,581,044	2,790,203
2028-2032	27,371,526	15,952,779	11,418,747
2033-2037	22,024,181	14,223,016	7,801,165
2038-2042	17,342,431	13,079,987	4,262,444
2043-2047	9,821,171	8,443,279	1,377,892
2048-2052	1,372,470	927,955	444,515
2053-2057	903,437	604,285	299,152
2058-2062	874,076	744,991	129,085
2063-2067	136,193	120,307	15,886
2068-2069	10,142	9,832	310
	<u>\$ 115,353,007</u>	<u>\$ 73,795,991</u>	<u>\$ 41,557,016</u>

Note 7: 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 \$28,300,000 at June 30, 2022, which are expected to be funded through federal grants or by the use of bond proceeds.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2022

Note 8: 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 were 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 were estimated to be approximately \$32.5 million, and were substantially all incurred through the Authority's fiscal year ended June 30, 2022. 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. For one of the hangars constructed under the Agreement, the initial contract for this hangar included compensation to the third-party contractor for deconstruction of the hangar upon termination of the contract with the Air Force. This contractual requirement resulted in a loss of approximately \$7.3 million to the Authority during the year ended June 30, 2022. Additionally, at June 30, 2022, the Authority has recorded a receivable of approximately \$690,000 from the Air Force for project costs incurred and other charges related to the agreement.

Note 9: Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from matters relating to theft of, damage to and destruction of assets and natural disasters, errors and omissions and employee injuries and illness. Settled claims did not exceed the commercial coverage in any of the three preceding years. The Authority is self-insured for claims for theft, damage to and destruction of assets and natural disasters up to \$50,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Management of the Authority believes no liability accrual was required at June 30, 2022.

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, 2022

	Total	Airport Bonds Series 2015A	Airport Bonds Series 2015B	Airport Bonds Series 2015C	Airport Bonds Series 2016A	Airport Bonds Series 2019A	Airport Bonds Series 2019B	Airport Bonds Series 2021	Airport Bonds Series 2021 Project
Account Balance, Beginning of Year	\$ 21,385,235	\$ 416,918	\$ 728,708	\$ 180,596	\$ 1,257,018	\$ 635,711	\$ 82,625	\$ -	\$ -
Receipts									
Operations	23,675,421	-	-	-	-	-	-	-	-
Interest	98,253	6	4	8	219	-	-	1,147	71,398
Tax collections	926,244	-	-	-	-	-	-	-	-
Bond issuance proceeds	56,000,458	-	-	-	-	-	-	-	56,000,458
Total Receipts	<u>80,700,376</u>	<u>6</u>	<u>4</u>	<u>8</u>	<u>219</u>	<u>-</u>	<u>-</u>	<u>1,147</u>	<u>56,071,856</u>
Disbursements									
Operations and maintenance	11,806,155	-	-	-	-	-	-	-	-
Property and equipment acquisition	21,075,849	-	-	-	-	-	-	-	-
Retirement of long-term debt	2,345,000	240,000	495,000	-	1,035,000	500,000	75,000	-	-
Interest	1,539,209	351,432	460,834	16,918	434,108	261,400	14,517	-	-
Other	231,998	-	-	-	-	-	-	-	188,285
Total Disbursements	<u>36,998,211</u>	<u>591,432</u>	<u>955,834</u>	<u>16,918</u>	<u>1,469,108</u>	<u>761,400</u>	<u>89,517</u>	<u>-</u>	<u>188,285</u>
Transfers, net	<u>-</u>	<u>599,024</u>	<u>969,257</u>	<u>-</u>	<u>1,474,188</u>	<u>761,389</u>	<u>93,784</u>	<u>3,232,524</u>	<u>(11,902,609)</u>
Account Balance, End of Year	<u>\$ 65,087,400</u>	<u>\$ 424,516</u>	<u>\$ 742,135</u>	<u>\$ 163,686</u>	<u>\$ 1,262,317</u>	<u>\$ 635,700</u>	<u>\$ 86,892</u>	<u>\$ 3,233,671</u>	<u>\$ 43,980,962</u>
Represented by									
Current Assets									
Cash and cash equivalents	\$ 14,557,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>14,557,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted Assets									
Cash and cash equivalents	12,466,889	424,516	742,135	163,686	1,262,317	635,700	86,892	3,233,671	5,917,972
Investments	38,062,990	-	-	-	-	-	-	-	38,062,990
	<u>50,529,879</u>	<u>424,516</u>	<u>742,135</u>	<u>163,686</u>	<u>1,262,317</u>	<u>635,700</u>	<u>86,892</u>	<u>3,233,671</u>	<u>43,980,962</u>
	<u>\$ 65,087,400</u>	<u>\$ 424,516</u>	<u>\$ 742,135</u>	<u>\$ 163,686</u>	<u>\$ 1,262,317</u>	<u>\$ 635,700</u>	<u>\$ 86,892</u>	<u>\$ 3,233,671</u>	<u>\$ 43,980,962</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, 2022

	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	Passenger Facility Charge (PFC) Fund	Tax Levy Fund
Account Balance, Beginning of Year	\$ (109,430)	\$ 5,965,145	\$ 1,323	\$ 2,022,326	\$ 361,147	\$ 6,337,161	\$ 1,900	\$ 3,504,087	\$ -	\$ -
Receipts										
Operations	-	22,424,596	-	-	836,902	-	-	-	413,923	-
Interest	-	163	-	13,097	24	11,117	-	973	-	97
Tax collections	-	-	-	-	-	-	-	-	-	926,244
Bond issuance proceeds	-	-	-	-	-	-	-	-	-	-
Total Receipts	<u>-</u>	<u>22,424,759</u>	<u>-</u>	<u>13,097</u>	<u>836,926</u>	<u>11,117</u>	<u>-</u>	<u>973</u>	<u>413,923</u>	<u>926,341</u>
Disbursements										
Operations and maintenance	11,806,155	-	-	-	-	-	-	-	-	-
Property and equipment acquisition	-	-	-	19,664,291	-	-	-	1,411,558	-	-
Retirement of long-term debt	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Other	-	20,711	2,346	-	20,655	-	1	-	-	-
Total Disbursements	<u>11,806,155</u>	<u>20,711</u>	<u>2,346</u>	<u>19,664,291</u>	<u>20,655</u>	<u>-</u>	<u>1</u>	<u>1,411,558</u>	<u>-</u>	<u>-</u>
Transfers, net	<u>11,702,941</u>	<u>(23,815,257)</u>	<u>2,000</u>	<u>20,567,469</u>	<u>(320,000)</u>	<u>-</u>	<u>-</u>	<u>(2,080,787)</u>	<u>(413,923)</u>	<u>(870,000)</u>
Account Balance, End of Year	<u>\$ (212,644)</u>	<u>\$ 4,553,936</u>	<u>\$ 977</u>	<u>\$ 2,938,601</u>	<u>\$ 857,418</u>	<u>\$ 6,348,278</u>	<u>\$ 1,899</u>	<u>\$ 12,715</u>	<u>\$ -</u>	<u>\$ 56,341</u>
Represented by										
Current Assets										
Cash and cash equivalents	<u>\$ (212,644)</u>	<u>\$ 4,553,936</u>	<u>\$ 977</u>	<u>\$ 2,938,601</u>	<u>\$ 857,418</u>	<u>\$ 6,348,278</u>	<u>\$ 1,899</u>	<u>\$ 12,715</u>	<u>\$ -</u>	<u>\$ 56,341</u>
	<u>(212,644)</u>	<u>4,553,936</u>	<u>977</u>	<u>2,938,601</u>	<u>857,418</u>	<u>6,348,278</u>	<u>1,899</u>	<u>12,715</u>	<u>-</u>	<u>56,341</u>
Restricted Assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (212,644)</u>	<u>\$ 4,553,936</u>	<u>\$ 977</u>	<u>\$ 2,938,601</u>	<u>\$ 857,418</u>	<u>\$ 6,348,278</u>	<u>\$ 1,899</u>	<u>\$ 12,715</u>	<u>\$ -</u>	<u>\$ 56,341</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Operating Revenues
Year Ended June 30, 2022**

Landing Field

Landing Fees		
Delta Airlines	\$	6,539
United Airlines		285,095
Flowage Fees		
Duncan Aviation		53,777
Silverhawk Aviation		115,985
GASB 87 lease revenue		2,002
Other		78,622
		<hr/>
Total landing field		542,020
		<hr/>

Terminal

Airline Rentals		
Delta Airlines		12,216
United Airlines		314,910
Land Transportation Facilities		
Avis Rent A Car		243,427
Budget Rent A Car		42,167
Enterprise Rent-A-Car		129,661
The Hertz Corporation		95,470
National Car Rental System		120,311
Cab companies		1,400
Concessions		
Standard Parking		836,900
Interspace		11,185
Utility surcharges		104,987
Air Freight terminal		26,558
Passenger facility charges		390,519
GASB 87 lease revenue		538
Other		134,827
		<hr/>
Total terminal		2,465,076
		<hr/>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Operating Revenues - Continued
Year Ended June 30, 2022

General Aviation

U.S. Government	\$ 158,282
State of Nebraska	118,651
Duncan Aviation, Inc., shop hangar	954,559
Silverhawk Aviation	158,039
Hill Aero	59,624
Executive T-Hangar	258,835
Other T-Hangars	539,199
GASB 87 lease revenue	169,614
Other	<u>5,955</u>

Total general aviation 2,422,758

LNK Enterprise Park

LNK Enterprise Park	8,827,022
Facility usage	1,980,248
Storage annex	134,545
Enterprise Park aviation	800,157
GASB 87 lease revenue	1,743,442
Other	<u>323,604</u>

Total LNK Enterprise Park 13,809,018

Air Park South

Lincoln Air Park South	<u>155,094</u>
------------------------	----------------

Total operating revenues \$ 19,393,966

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Direct Operating Expenses
Year Ended June 30, 2022**

Landing Field	
Salaries	\$ 417,789
Employee benefits	181,492
Repairs and maintenance	240,411
Contracted services	145,666
Utilities	88,418
Insurance	50,518
Professional services	3,762
Other	5,897
	<hr/>
Total landing field	1,133,953
	<hr/>
Terminal	
Salaries	1,725,091
Employee benefits	717,882
Repairs and maintenance	142,603
Contracted services	430,748
Utilities	569,666
Insurance	128,198
Professional services	298,216
Bad debt expense	24,724
	<hr/>
Total terminal	4,037,128
	<hr/>
General Aviation	
Salaries	53,738
Employee benefits	26,758
Repairs and maintenance	14,897
Contracted services	78,933
Utilities	56,204
Insurance	79,869
Professional services	29,891
Interest expense	107,383
Bad debt expense	2,130
	<hr/>
Total general aviation	449,803
	<hr/>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Direct Operating Expenses - Continued
Year Ended June 30, 2022

LNK Enterprise Park	
Salaries	\$ 485,602
Employee benefits	232,558
Repairs and maintenance	106,844
Contracted services	693,608
Utilities	693,704
Insurance	340,814
Professional services	5,016
Interest expense	1,312,036
Bad debt expense	<u>2,753</u>
Total LNK Enterprise Park	<u>3,872,935</u>
 Air Park South	
Salaries	14,790
Employee benefits	3,391
Repairs and maintenance	5,311
Contracted services	1,492
Utilities	17,261
Insurance	<u>3,844</u>
Total Air Park South	<u>46,089</u>
	<u>9,539,908</u>
 Depreciation Expense	
Landing field	1,750,492
Terminal	463,802
General aviation	540,350
LNK Enterprise Park	3,433,765
Lincoln Air Park South	<u>40,201</u>
Total depreciation expense	<u>6,228,610</u>
 Total Direct Operating Expenses	 <u>\$ 15,768,518</u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Indirect Operating Expenses
Year Ended June 30, 2022**

Public Safety	
Salaries	\$ 4,681
Employee benefits	7,165
Repairs and maintenance	43,963
Contracted services	13,563
Utilities	5,376
Insurance	27,725
Professional services	70,908
Other	24,543
Total public safety	<u>197,924</u>
Service Equipment	
Salaries	171,817
Employee benefits	70,515
Repairs and maintenance	155,030
Contracted services	10,988
Utilities	156,000
Insurance	59,994
Total service equipment	<u>624,344</u>
General and Administrative	
Salaries	929,685
Employee benefits	487,452
Repairs and maintenance	31,975
Contracted services	35,670
Utilities	64,800
Insurance	43,402
Professional services	1,153,478
Other	258,905
Total general and administrative	<u>3,005,367</u>
Depreciation Expense	
Service equipment	429,004
General and administrative	178,180
Public safety	5,016
Total depreciation expense	<u>612,200</u>
Total Indirect Operating Expenses	<u><u>\$ 4,439,835</u></u>

**Airport Authority of the City of
Lincoln, Nebraska**
Schedule of Expenses by Natural Classification
Year Ended June 30, 2022

Expenses	
Salaries	\$ 3,803,193
Employee benefits	1,727,213
Repairs and maintenance	741,034
Contracted services	1,410,668
Utilities	1,651,429
Insurance	734,364
Professional services	1,561,271
Interest expense	2,892,806
Bad debt expense	29,607
Other	289,345
Bond issuance costs	302,306
Depreciation expense	<u>6,840,810</u>
Total Expenses	<u><u>\$ 21,984,046</u></u>

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing 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	3-31-0050-057-2019	\$ -	\$ 10,326
		3-31-0050-058-2020	-	294,336
		3-31-0050-060-2021	-	532,864
		3-31-0050-061-2021	-	3,368,742
Airport Rescue Grant	20.106	3-31-0050-064-2022	-	2,468,560
Airport Rescue Grant - Concessions Rent Relief	20.106	3-31-0050-065-2022	-	142,820
			<u>\$ -</u>	<u>\$ 6,817,648</u>

**Airport Authority of the City of
Lincoln, Nebraska**
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note 1: Basis of Presentation

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, 2022. 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.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

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, 2022

	Date Approved	Amount Approved For Use	Cumulative	Quarter Ended				Year Ended	Cumulative
			Total - July 1, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	June 30, 2022	Total - June 30, 2022
Revenues									
Passenger facility charge revenues received			\$ 2,213,265	\$ 116,744	\$ 129,361	\$ 87,979	\$ 79,838	\$ 413,922	\$ 2,627,187
Interest earned			-	-	-	-	-	-	-
Total passenger facility charge revenue received			<u>\$ 2,213,265</u>	<u>\$ 116,744</u>	<u>\$ 129,361</u>	<u>\$ 87,979</u>	<u>\$ 79,838</u>	<u>\$ 413,922</u>	<u>\$ 2,627,187</u>
Expenditures									
Application 16-01-C-00-LNK	August 1, 2017	\$ 5,411,638	\$ 2,213,265	\$ 116,744	\$ 129,361	\$ 87,979	\$ 79,838	\$ 413,922	\$ 2,627,187
Total passenger facility charge revenue expended		<u>\$ 5,411,638</u>	<u>\$ 2,213,265</u>	<u>\$ 116,744</u>	<u>\$ 129,361</u>	<u>\$ 87,979</u>	<u>\$ 79,838</u>	<u>\$ 413,922</u>	<u>\$ 2,627,187</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).



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**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Airport Authority of the City of Lincoln, Nebraska (the Authority), which comprise the Authority's balance sheet as of June 30, 2022, 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 March 27, 2023, which contained an Emphasis of Matter paragraph for a change in accounting principle.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

FORVIS,LLP

Lincoln, Nebraska
March 27, 2023



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Report on Compliance for the 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

Opinion on 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 identified as subject to audit 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, 2022. 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.

In our opinion, the Airport Authority of the City of Lincoln, Nebraska complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

FORVIS, LLP

Lincoln, Nebraska
March 27, 2023



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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

Opinion on 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 identified as subject to audit 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, 2022.

In our opinion, the Airport Authority of the City of Lincoln, Nebraska complied, in all material respects, with the 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, 2022.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the Guide. Our responsibilities under those standards and the Guide are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

FORVIS, LLP

Lincoln, Nebraska
March 27, 2023

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes None Reported
 Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
 Significant deficiency(ies) identified? Yes None Reported
 Material weakness(es) identified? Yes No

5. Type of auditor's report issued on compliance for the major federal program:
 Unmodified Qualified Adverse Disclaimer

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

7. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program
20.106	Airport Improvement Program

**Airport Authority of the City of
Lincoln, Nebraska
Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2022**

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

Section II – Financial Statement Findings

Reference Number	Finding
No matters are reportable.	

Section III – Federal Award Findings and Questioned Costs

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, 2022**

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, 2022**

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 |