AIRPORT AUTHORITY OF THE CITY OF OMAHA

Basic Financial Statements and Supplementary Information
Uniform Guidance Reports and Passenger Facility
Charge Program Report

December 31, 2018 and 2017

(With Independent Auditors' Reports Thereon)

AIRPORT AUTHORITY OF THE CITY OF OMAHA

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AIRPORT AUTHORITY OF THE CITY OF OMAHA

Management's Discussion and Analysis

(Unaudited)

December 31, 2018 and 2017

Introduction

The following management discussion and analysis (MD&A) of the Airport Authority of the City of Omaha (the Authority) provides an introduction to the basic financial statements of the Authority for the years ended December 31, 2018 and 2017. The Authority's responsibilities include Eppley Airfield and Millard Airport. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the basic financial statements and the notes thereto, which follow this section.

The notes are essential to a full understanding of the data contained in the basic financial statements. This report also presents certain supplementary information regarding revenues and expenses by cost center and required supplementary information regarding the defined-benefit pension plan and the other postemployment benefit obligation.

The basic financial statements consist of two parts: the financial statements and the notes to financial statements. The three financial statements are the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows.

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is a special-purpose government engaged only in business-type activities. Users of the Authority's facilities provide the revenues to operate, maintain, and acquire necessary services and facilities. The Authority has no taxing authority.

The Authority was created pursuant to Nebraska state statutes. The affairs of the Authority are conducted by a five-member board whose members are appointed by the mayor of the City of Omaha, Nebraska (the City), with the approval of the City Council. The Authority is not included in the City's financial statements because the City is not financially accountable for the Authority.

Airport Activities Highlights

The following is a summary of Eppley Airfield's traffic statistics:

	2018	Percentage change	2017	Percentage change	2016	Percentage change
Passengers	5,043,194	9.4 %	4,611,906	6.0 %	4,349,486	4.3 %
Aircraft operations	101,510	5.1	96,624	0.1	96,527	0.7
Cargo and mail weight – lbs	154,189,840	3.9	148,446,127	4.5	142,120,779	18.1
Scheduled landed weight – lbs	3,257,558,111	6.9	3,047,431,846	5.8	2,880,411,958	8.9

Eppley Airfield experienced its fifth consecutive year of positive passenger traffic growth and its highest year on record for passenger traffic, serving over 5.0 million passengers in 2018. Strong passenger demand and new nonstop routes to Tampa, Philadelphia, Austin, Toronto and San Antonio, as well as, increased service to Las Vegas, New York City (La Guardia), San Francisco and Los Angeles led to a 9.4% increase in passenger traffic in 2018. Passenger growth is expected to continue into 2019. New or additional air service has been announced to San Francisco, San Diego, Destin, Nashville, and New York City (La Guardia and Newark). With the addition of Air Canada (began service to Toronto in May 2018) and the new service announcements listed above, Eppley Airfield is served by 8 airline groups with approximately 90 daily peak day departures providing service to 34 nonstop destination airports.

The Authority issued $70 million (par) in airport revenue bonds in February 2017 to defease then outstanding Series 2010 airport revenue bonds and to finance expenses associated with the construction of a new six-story covered parking garage, a rental car customer facility building, and other improvements related to airport parking and rental car services. The new garage will increase the net number of available public spaces at Eppley by approximately 2,100. Construction on this project began in May 2017 and is expected to be complete in summer 2019.

Moody's Investor Services and Standard and Poor's Global Ratings provided Aa3 stable and AA- stable ratings, respectively, on the Series 2017 bonds an affirmation of those same ratings on the Series 2010 bonds which were economically defeased upon issuance of the 2017 bonds. In their credit opinion, Moody's cited stable origin and destination demand and a diverse carrier mix as reasons for the strong rating. Standard and Poor's referenced the Authority's strong financial profile, including a manageable debt load and strong unrestricted cash position, as rationale for their rating.

Airline Rates and Charges

The scheduled air carriers operate on year-to-year operating and lease agreements. The rates and charges are established annually by the Authority's board resolution. The rates and charges were as follows:

		2018	2017	2016
Landing fee per 1,000 pounds	$	2.886	2.975	3.064
Apron fee per landing		2.50	2.50	2.50
Terminal finished area per square foot per year		80.36	77.50	75.28
Terminal unfinished area per square foot per year		64.35	62.06	60.28
Loading bridge (wide) unmodified per year		37,700	37,700	37,700
Loading bridge (narrow) unmodified per year		33,700	33,700	33,700
Unleased gate usage charge four hours and less		197	190	185
Unleased gate usage charge over four hours		277	267	260
Bundled per turn fee <125 seats		373	360	350
Bundled per turn fee >125 seats		559	540	525

Financial Position Summary

The statements of net position present the financial position of the Authority at the end of the year. They include all assets and deferred outflow of resources and liabilities and deferred inflow of resources of the Authority. Net position, the difference between total assets and deferred outflow of resources and liabilities and deferred inflow of resources, is an indication of the current fiscal health of the Authority. A summary of comparison of the Authority's assets and deferred outflow of resources, liabilities and deferred inflow of resources, and net position at December 31 is as follows:

		2018	2017	2016
Assets:				
Current and other assets	$	162,490,154	173,723,682	113,545,313
Property, plant, and equipment, net		354,523,885	321,654,784	287,887,876
Total assets		517,014,039	495,378,466	401,433,189
Deferred outflow of resources:				
Bond refunding deferred outflow		147,016	294,031	—
Other post employment benefit deferred outflow		1,737,762	2,041,566	—
Pension related deferred outflow		2,325,671	1,616,080	617,961
Total deferred outflow of resources		4,210,449	3,951,677	617,961
Total assets and deferred outflow of resources	$	521,224,488	499,330,143	402,051,150
Liabilities:				
Current liabilities	$	16,171,244	13,974,619	5,771,846
Net pension liability		6,905,331	6,443,107	5,740,983
Other postemployment benefit payable		33,918,249	42,802,796	25,662,396
Long-term debt, excluding current installments		68,929,877	71,946,352	7,923,368
Total liabilities		125,924,701	135,166,874	45,098,593
Deferred inflow of resources:				
Other post employment benefit deferred inflow		10,675,661	—	—
Pension related deferred inflow		297,078	314,624	429,440
Total deferred inflow of resources		10,972,739	314,624	429,440
Total liabilities and deferred inflow of resources		136,897,440	135,481,498	45,528,033

		2018	2017	2016
Net position:				
Net investment in capital assets	$	290,008,809	291,558,932	278,166,699
Restricted for:				
Passenger facility charges		9,066,482	—	—
Customer facility charges		3,376,563	4,748,216	4,328,173
Debt service and other		18,917	2,220,482	850,000
Unrestricted		81,856,277	65,321,015	73,178,245
Total net position		384,327,048	363,848,645	356,523,117
Total liabilities and net position	$	521,224,488	499,330,143	402,051,150

The Authority's net position was $384,327,048 and $363,848,645 at December 31, 2018 and 2017, respectively. For both years, the largest portion of the Authority's net position represents its net investment in capital assets. The Authority uses these capital assets to provide services to its passengers, visitors, and tenants of Eppley Airfield and Millard Airport; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

Restricted net position reflects cash and investments set aside with the revenue bond trustee for the ensuing year's principal and interest payment to bondholders and to fund the bond covenant required debt service reserve accounts. Restricted net position also reflects passenger facility charges and customer facility charges set aside for future improvements and debt service. The remaining unrestricted net position may be used to meet any of the Authority's ongoing obligations.

Summary of Changes in Net Position

The change in net position is an indicator of whether the overall fiscal condition of the Authority has improved or deteriorated during the year. Following is a summary of revenues, expenses, and changes in net position:

		2018	Percentage of operating revenue		2017	Percentage of operating revenue	Percentage increase (decrease)
Operating revenues:							
Landing area	$	10,161,664	20.1 %	$	9,774,893	20.5 %	4.0 %
General aviation area		1,300,195	2.6		1,279,165	2.7	1.6
Terminal building area		17,891,672	35.4		16,321,440	34.1	9.6
Other facility area		20,741,595	41.0		19,979,056	41.8	3.8
Millard Airport		447,539	0.9		437,397	0.9	2.3
Operating revenues		50,542,665	100.0		47,791,951	100.0	5.8

	2018	Percentage of operating revenue	2017	Percentage of operating revenue	Percentage increase (decrease)
Operating expenses:					
Operations and maintenance	$ (18,050,683)	(35.7)	(16,894,311)	(35.3)	6.8
General and administrative	(5,995,885)	(11.9)	(5,772,055)	(12.1)	3.9
Operating expenses	(24,046,568)	(47.6)	(22,666,366)	(47.4)	6.1
Operating income before depreciation and other postemployment benefit expense	26,496,097	52.4	25,125,585	52.6	5.5
Other postemployment benefit expense	(2,792,341)	(5.5)	(3,929,649)	(8.2)	(28.9)
Depreciation expense	(17,380,122)	(34.4)	(17,009,560)	(35.6)	2.2
Operating income	6,323,634	12.5	4,186,376	8.8	51.1
Net nonoperating revenues (expenses)	13,599,808	26.9	689,499	1.4	1,872.4
Income before grant revenue	19,923,442	39.4	4,875,875	10.2	308.6
Federal grant revenue	554,961	1.2	15,090,538	31.6	(96.3)
Increase in net position	20,478,403	40.6	19,966,413	41.8	2.6
Net position – beginning of year	363,848,645	—	343,882,232	—	5.8
Net position – end of year	$ 384,327,048	— %	$ 363,848,645	— %	5.6 %

	2017	Percentage of operating revenue	2016	Percentage of operating revenue	Percentage increase (decrease)
Operating revenues:					
Landing area	$ 9,774,893	20.5 %	$ 9,908,800	21.4 %	(1.4)%
General aviation area	1,279,165	2.7	1,258,795	2.7	1.6
Terminal building area	16,321,440	34.1	15,723,613	33.9	3.8
Other facility area	19,979,056	41.8	19,093,345	41.1	4.6
Millard Airport	437,397	0.9	420,297	0.9	4.1
Operating revenues	47,791,951	100.0	46,404,850	100.0	3.0
Operating expenses:					
Operations and maintenance	(16,894,311)	(35.3)	(16,594,728)	(35.8)	1.8
General and administrative	(5,772,055)	(12.1)	(5,701,597)	(12.3)	1.2
Operating expenses	(22,666,366)	(47.4)	(22,296,325)	(48.1)	1.7
Operating income before depreciation and other postemployment benefit expense	25,125,585	52.6	24,108,525	51.9	4.2

	2017	Percentage of operating revenue	2016	Percentage of operating revenue	Percentage increase (decrease)
Other postemployment benefit expense	$ (3,929,649)	(8.2)	(3,235,675)	(7.0)	21.4
Depreciation expense	(17,009,560)	(35.6)	(17,098,205)	(36.8)	(0.5)
FEMA/NEMA flood grant (contra expense)	—	—	981,518	2.1	(100.0)
Operating income	4,186,376	8.8	4,756,163	10.2	(12.0)
Net nonoperating revenues (expenses)	689,499	1.4	3,001,737	6.5	(77.0)
Income before grant revenue	4,875,875	10.2	7,757,900	16.7	(37.1)
Federal grant revenue	15,090,538	31.6	14,236,674	30.7	6.0
Increase in net position	19,966,413	41.8	21,994,574	47.4	(9.2)
Net position – beginning of year	343,882,232 [(1)]	—	334,528,543	—	2.8
Net position – end of year	$ 363,848,645	— %	$ 356,523,117	— %	2.1 %

[(1)] See footnote 10 for cumulative net position adjustment for change in accounting period.

Financial Operations Highlights

Revenues – 2018

The landing area revenue is mostly comprised of landing fees charged to the airlines. The landing fee rate decreased from $2.975 in 2017 to $2.886 in 2018 (or 3.0%). The landing fee rate decrease was offset by a 6.9% increase in scheduled aircraft landed weight in 2018. Apron fees increased as a result of more overnight aircraft parking by our cargo operators. Other landing area income increased due to more rental of our air stairs, primarily by chartered aircraft. This explains the 4.0% increase in landing area revenue in 2018.

The 1.6% increase in general aviation revenues in 2018 is primarily attributed to a 1.9% increase in the C.P.I. for ground rent.

Airline and other terminal space rental revenues increased 9.6% in 2018 as compared to 2017 mainly due to a 3.7% increase in the terminal rental rate as well as increased activity by air carriers operating under the bundled per turn rates and charges. The terminal concession revenues increased 9.7% in 2018 compared to 2017. News and gift stand, restaurants and bar, and rental car concessions increased by 16.9%, 19.7%, and 7.1%, respectively. The primary factor contributing to the change in concession revenue is a 9.4% increase in passenger traffic in 2018 compared to 2017.

The majority of the increase in other facilities area revenue is for parking operations. Total parking revenue increased by 3.8% in 2018 as a result of an increase in passenger traffic and parking volume.

Revenues – 2017

The landing area revenue is mostly comprised of landing fees charged to the airlines. The landing fee rate decreased from $3.064 in 2016 to $2.975 in 2017 (or 3.0%). The landing fee rate decrease was offset by a 5.8% increase in scheduled aircraft landed weight in 2017. Apron fees decreased as a result of less overnight aircraft parking on our north and south divert ramps, primarily by cargo operators. Other landing area income decreased as a one-time settlement payment from a previous airport fuel tenant was received in 2016. This explains the 1.4% decrease in landing area revenue in 2017.

The 1.6% increase in general aviation revenues in 2017 is primarily attributed to a 1.1% increase in the C.P.I. for ground rent.

Airline and other terminal space rental revenues increased 3.8% in 2017 as compared to 2016 mainly due to a 2.9% increase in the terminal rental rate as well as increased activity by air carriers operating under the bundled per turn rates and charges. The terminal concession revenues increased 3.6% in 2017 compared to 2016. News and gift stand and restaurants and bar concessions increased by 23.5% and 6.8%, respectively. News and gift stands were remodeled in the north and south concourses during 2017. New food offerings and additional offsite catering led to increased restaurant sales. The primary factor contributing to the change in concession revenue is a 6.0% increase in passenger traffic in 2017 compared to 2016.

The majority of other facilities area revenue is for parking operations. The total parking revenue increased by 4.6% in 2017 as a result of an increase in passenger traffic, parking volume, and various rate increases.

Expenses – 2018

Operations and maintenance expenses increased 6.8% in 2018. Wages and salaries increased 3.2% due to cost-of-living increases and the addition of two full-time equivalent operational positions. Employee benefits increased primarily due to a 12.9% increase in medical insurance claims to the Authority's self-funded medical insurance plan. The Authority also increased its annual pension contribution in 2018. Service and repairs increased 20.4% due to additional IT maintenance agreements, security camera replacements, repairs to plumbing on the airfield, and various repairs to the terminal building. These increases were partially offset by decreases in water and sewer and other operating expenses.

General and administrative expenses increased 3.9% in 2018. Employee benefits increased 11.8% due to higher medical insurance claims incurred in 2018 compared to 2017 as well as a higher pension contribution made by the Authority in 2018. Professional services increased in 2018 with the use of more consulting services for the planning and analysis related to terminal, parking and air service operations. These increases were partially offset by decreases to contract labor and insurance. More contracted labor was utilized for open positions in 2017. A favorable property and casualty renewal explains the decrease in insurance costs, most notably with decreases in property and worker compensation insurance.

Other postemployment benefit expense accrual (OPEB) decreased by 28.9% due to the actuary's use of revised estimates for interest rates, claims history, and actuarial assumptions as part of the implementation of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (see footnote 7).

Depreciation expense increased by 2.2% in 2018, reflecting depreciation on larger asset additions during the year such as new jet bridges, taxiway lights, flight information display system, terminal ramp construction and enterprise resource planning (ERP) system.

Expenses – 2017

Operations and maintenance expenses increased 1.8% in 2017. Wages and salaries increased 5.9% due to more overtime incurred for covering ice and snow events as well as filling vacancies and absences during 2017. Supplies and materials increased 22.8% primarily as a result of using more runway deicing fluid due to more ice storms in 2017 than 2016. These increases were partially offset by an 8.0% decrease in contractual services and a 3.7% decrease in electricity.

General and administrative expenses increased 1.2% in 2017. Employee benefits increased 25.3% due to higher medical insurance claims incurred in 2017 compared to 2016. New IT maintenance agreements as well as increased use of contracted staffing costs led to increases in the contracted labor and maintenance line item for 2017. These increases were partially offset by decreases to professional services and insurance. More consultants were utilized in 2016 for a number of strategic planning and succession planning initiatives, and a favorable property and casualty renewal explains the decrease in insurance costs, most notably with decreases in liability and worker compensation insurance.

Depreciation expense decreased slightly in 2017, reflecting a number of large assets becoming fully depreciated during 2017 which more than offset new asset depreciation additions.

Other postemployment benefit expense accrual (OPEB) increased by 21.4% due to the actuary's use of revised estimates for interest rates, claims history, and actuarial assumptions as part of the retroactive implementation of GASB Statement No. 75 (GASB 75) *Accounting and Financial Reporting of Postemployment Benefits Other than Pensions* (see footnote 7).

Nonoperating Revenue and Expenses – 2018

Net nonoperating revenues are comprised of investment return, interest expense, rental car Customer Facility Charges (CFCs), and Passenger Facility Charges (PFCs). Interest expense decreased in 2018 as a result of lower amortization in 2018. Interest expense related to series 2017 bonds is capitalized during the construction period of the new parking garage/rental car facility and related projects that the bonds were used to fund. This project is estimated to be completed in mid-2019. See footnote 4 for further discussion on long-term debt. Investment return increased substantially reflecting fair market value adjustments, as well as an increase in interest earnings on the Authority's investments. Customer facility charges (CFCs) revenue increased 2.3%, which is consistent with rental car gross receipts for the year. Passenger Facility Charge (PFCs) revenue is a new revenue source in 2018. The Authority recognized $9,134,227 of PFC revenue in 2018. See footnote 1 for further discussion on CFCs and PFCs.

Nonoperating Revenue and Expenses – 2017

Net nonoperating revenues are comprised of interest expense, investment return, rental car Customer Facility Charges (CFCs), loss on parking asset disposal and series 2017 bond issuance costs. Interest expense decreased 45.2% in 2017 as a result of the defeasance of the series outstanding bonds of the Authority and all interest paid on these bonds is capitalized during the construction period of the new parking garage/rental car facility and related projects that the bonds were used to fund. Investment return decreased by 77.0% due to an increase in the fair value write down of investments at December 31, 2017 compared to December 31, 2016 to reflect the market value of investments. In addition, interest earnings on bond related accounts and construction related accounts are being netted against capitalized interest expense during the two year construction period of the new garage. However, actual cash interest received in 2017 increased as a result of higher average investment interest rates and more funds on deposit. CFCs decreased 1.1%, which is consistent with rental car gross receipts for the year. As part of the aforementioned new parking garage and rental car facilities project, a former two story surface parking lot was demolished to make room for the new facilities. A loss on the disposal of this asset of $1,529,953 was recognized in 2017 as the asset was not fully depreciated. Bond issuance expenses of $525,565 were incurred in February 2017 as part of the bond issuance process for the Series 2017 bonds.

Property, Plant, and Equipment Development and Expansion

The Authority's mission includes excellence in customer service, airport facilities, and operations. All future facilities' planning moves forward with this mission as its focus. Future facilities related to security issues mandated by the federal government are evolving as the federal government defines and redefines the issues. The Authority is committed to compliance with all federal security regulations, now and in the future.

The Authority's property, plant, and equipment as of December 31, 2018 and 2017 amounted to $692,556,062 and $642,533,434, respectively, before accumulated depreciation. This investment in long-term assets includes land, land improvements, airfield improvements, parking facilities, buildings, equipment, Millard Airport (a reliever to Eppley Airfield), and construction in progress. The net increase in the Authority's property, buildings, and equipment, before accumulated depreciation, for 2018 was $50,022,628, or 7.8%, and for 2017 was $45,924,059, or 7.7%. The 2018 increase is largely due to the construction of a parking garage and rental car customer service building.

Property, plant, and equipment acquisitions are capitalized at cost and are depreciated (except land and construction in progress) over their useful lives on the straight-line method. Authority acquisitions are funded using a variety of financing techniques, including cash flows from Authority operations, (including a $2.50 rental car per transaction day CFC which began in April 2015) federal entitlement and discretionary grants (75% of total costs of typical authorized projects (90% for Millard Airport projects), state grants, and airport revenue bond issuance. The Authority is not allowed to levy taxes. The Authority had not chosen to collect a Passenger Facility Charge (PFC) in the past; however, following approval from the FAA, and consultation with the airline tenants, PFC charges at the $4.50 rate began February 1, 2018 for major future terminal related projects.

During the past decade, several significant completed projects were closed out from construction in progress and/or directly recorded to their respective property, plant, and equipment accounts. More recent major projects or acquisitions were/are as follows:

Project	Total cost
Completed:	
Replace taxiway C, J, D, E access to ramp	$ 17,915,000
Replace taxiway G	17,685,000
Replace east stormwater pumping station	2,900,000
Millard Airport runway overlay	1,380,000
Replace boarding bridge #16	654,000
Reconstruct terminal ramp – phase I	22,670,000
Construct US Customs and Border Patrol G/A Facility	1,000,000
New parking garage/rental car facilities – design only phase I and II	6,000,000
Purchase #2 multi-task snow removal equipment machine	630,000
Expand north checkpoint exit lane and 4th lane	515,000
Replace fire/rescue truck #11	900,000
South economy parking lot canopies	4,200,000
Expand south economy parking lot	800,000
Parking garage way finding/space count system (APGS)	1,000,000
Expand south checkpoint 4th lane	270,000
Reconstruct terminal ramp – phase II	17,811,000
Enterprise Resource Planning (ERP) – phase I	2,070,000
Cargo A Ramp Reconstruction	6,000,000
Reconstruct terminal ramp-phase III	17,000,000
Replace boarding bridges #6 and #7	1,430,000
Replace terminal carpet and furniture	455,000
In process:	
New north parking garage/rental car facilities	70,000,000
South parking garage restoration	11,000,000

Long-Term Debt Administration

The Authority issued airport revenue bonds of $61,000,000 in 1984 when the terminal building was expanded and renovated, additional parking garages were built, various airfield storm water drainage was constructed, and certain taxiways/runways/aprons were improved. Since that time, the Authority has issued several tax-exempt airport revenue refunding bonds that substantially reduced interest expense. The original 1984 bonds had interest rates as high as 10.75%. On February 22, 2017, the Authority closed on the Series 2017 A, B, and C $70,000,000 par revenue/refunding bonds issue to finance a portion of the construction of a 3,000 space parking garage, rental car facilities, various other parking area improvements, fund debt service reserve accounts, and to defease the outstanding series 2010 bonds. The Series 2017 A, B, and C Airport Revenue/Refunding Bonds are the only outstanding bonds at December 31, 2018 with coupon rates ranging from 2.0% to 5.0% (with an average yield of 3.6%). The outstanding principal balance as of December 31, 2018, before the effects of bond premiums, is $65,535,000.

As the Authority is not allowed to levy taxes, it cannot issue any general obligation (GO) bonds. The Authority began collecting PFCs on February 1, 2018. It does not have any PFC backed revenue bonds outstanding as of December 31, 2018. Finally, the Authority has not issued any special-purpose facility bonds.

The Authority had one 0% hangar loan that was paid off on October 31, 2017.

The Authority has the following revenue bond "stable" credit ratings: Standard & Poor's AA- and Moody's Aa3; most recently affirmed in February 2019. The Authority's currently outstanding airport revenue bonds were issued with fully funded debt service reserve funds.

Contact Information

Questions concerning any of the information provided in this financial report or requests for additional information should be addressed to: Omaha Airport Authority, Attention: Stan Kathol, Director of Finance and Administration, 4501 Abbott Drive, Suite 2300, Eppley Airfield, Omaha, NE 68110.

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Independent Auditors' Report

The Board of Directors
Airport Authority of the City of Omaha:

Report on Financial Statements

We have audited the accompanying financial statements of the Airport Authority of the City of Omaha (the Authority), which comprise the statements of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority of the City of Omaha as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in footnote 10, effective January 1, 2017, the Authority adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1 through 11 and the schedules of the retirement plan and other postemployment benefit plan on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedules of revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenses 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 April 30, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

KPMG LLP

Omaha, Nebraska
April 30, 2019

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Statements of Net Position

December 31, 2018 and 2017

Assets		2018	2017
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	$	23,092,192	17,884,707
Investments		105,155,369	91,432,058
Receivables, less allowance for doubtful accounts of $161,833 and $181,369 in 2018 and 2017, respectively		3,260,231	4,076,039
Prepaid expenses		1,211,704	1,252,448
Restricted assets:			
Cash and cash equivalents		11,315,973	5,443,946
Due from governmental agencies		8,979	2,351,160
Passenger facility charges receivable		597,344	—
Customer facility charges receivable		186,388	214,004
Total current assets		144,828,180	122,654,362
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents		17,661,974	15,796,636
Investments		—	35,272,684
Property, plant, and equipment, net		354,523,885	321,654,784
Total noncurrent assets		372,185,859	372,724,104
Total assets		517,014,039	495,378,466
Deferred Outflow of Resources			
Bond refunding related deferred outflow		147,016	294,031
Other postemployment benefit deferred outflow		1,737,762	2,041,566
Pension related deferred outflow		2,325,671	1,616,080
Total deferred outflow of resources		4,210,449	3,951,677
Total assets and deferred outflow of resources	$	521,224,488	499,330,143
Liabilities			
Current liabilities:			
Current installments of long-term debt	$	3,016,475	2,952,152
Accounts payable and accrued expenses		2,427,271	2,888,687
Due to contractors, including retainage of $6,273,711 in 2018 and $2,600,253 in 2017		9,877,420	7,176,402
Accrued interest payable		127,304	130,678
Current portion of other postemployment benefit payable		722,774	826,700
Total current liabilities		16,171,244	13,974,619
Noncurrent liabilities:			
Net pension liability		6,905,331	6,443,107
Other postemployment benefit payable		33,918,249	42,802,796
Long-term debt, excluding current installments		68,929,877	71,946,352
Total liabilities		125,924,701	135,166,874
Deferred Inflow of Resources			
Other postemployment benefit deferred inflow		10,675,661	—
Pension related deferred inflow		297,078	314,624
Total deferred inflow of resources		10,972,739	314,624
Total liabilities and deferred inflow of resources		136,897,440	135,481,498
Net Position			
Net position:			
Net investment in capital assets		290,008,809	291,558,932
Restricted for:			
Passenger facility charges		9,066,482	—
Customer facility charges		3,376,563	4,748,216
Debt service and other		18,917	2,220,482
Unrestricted		81,856,277	65,321,015
Total net position		384,327,048	363,848,645
Total liabilities, deferred inflow of resources, and net position	$	521,224,488	499,330,143

See accompanying notes to financial statements.

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2018 and 2017

	2018	2017
Operating revenues:		
Landing area	$ 10,161,664	9,774,893
General aviation area	1,300,195	1,279,165
Terminal building area	17,891,672	16,321,440
Other facility area	20,741,595	19,979,056
Millard Airport	447,539	437,397
Total operating revenues	50,542,665	47,791,951
Operating expenses:		
Operations and maintenance:		
Wages	8,730,660	8,457,550
Payroll taxes	634,916	618,798
Employee benefits	3,456,010	3,011,451
Supplies and materials	1,704,536	1,625,746
Contractual services	1,608,599	1,336,582
Electricity	1,182,022	1,157,804
Fuel – heating	146,564	122,713
Water and sewer fee	230,668	254,745
Trash disposal	56,704	48,990
Communications	133,325	107,649
Gasoline and oil	163,710	128,885
Other	2,969	23,398
Total operations and maintenance	18,050,683	16,894,311
General and administrative:		
Salaries	2,364,885	2,391,363
Payroll taxes	157,394	147,491
Employee benefits	954,669	868,935
Supplies, materials, and postage	109,808	97,378
Contracted labor and maintenance	271,201	294,959
Professional services	1,339,334	1,152,291
Airline Affairs	29,887	58,277
Travel and transportation	66,426	54,454
Communications	24,677	23,787
Dues and subscriptions	33,269	36,464
Insurance	625,047	640,751
Other, including write-offs	19,288	5,905
Total general and administrative	5,995,885	5,772,055
Total operating expenses, before other postemployment benefit expense and depreciation expense	24,046,568	22,666,366
Operating income before other postemployment benefit expense and depreciation expense	26,496,097	25,125,585
Other postemployment benefit expense	2,792,341	3,929,649
Depreciation expense	17,380,122	17,009,560
Operating income	6,323,634	4,186,376
Nonoperating revenues and expenses:		
Investment return, excludes capitalized interest	1,741,703	110,069
Interest expense, excludes capitalized interest	(147,015)	(171,119)
Customer facility charges (CFCs)	2,870,893	2,806,067
Passenger facility charges (PFCs)	9,134,227	—
Loss on parking asset disposal	—	(1,529,953)
Series 2017 bond issuance costs	—	(525,565)
Nonoperating revenues, net	13,599,808	689,499
Income before grant revenue	19,923,442	4,875,875
Federal and state grant revenue	554,961	15,090,538
Increase in net position	20,478,403	19,966,413
Total net position, beginning of year, adjusted for 2017	363,848,645	343,882,232
Total net position, end of year	$ 384,327,048	363,848,645

See accompanying notes to financial statements.

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Statements of Cash Flows

Years ended December 31, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Cash received from tenants/customers	$	51,358,474	45,907,581
Cash paid to suppliers for goods and services		(7,907,095)	(7,120,453)
Cash paid to employees for salaries, wages, and benefits		(17,479,393)	(16,877,289)
Net cash provided by operating activities		25,971,986	21,909,839
Cash flows from capital and related financing activities:			
Acquisition and construction of property, plant, and equipment, including bonds capitalized interest		(47,548,205)	(46,949,877)
Principal paid on long-term debt, excluding defeasance of Series 2010 bonds		(2,345,000)	(2,981,800)
Defeasance of Series 2010 bonds		—	(7,880,000)
Interest paid on long-term debt, excluding capitalized interest		(757,541)	(1,507,001)
Bond issuance costs paid		—	(525,565)
Proceeds from issuance of long-term debt including premium		—	77,615,480
Customer facility charges (CFCs) received		2,898,509	2,785,004
Passenger facility charges (PFCs) received		8,536,883	—
Federal and State Capital grants received		2,897,142	13,133,426
Net cash provided by (used in) capital and related financing activities		(36,318,212)	33,689,667
Cash flows from investing activities:			
Purchase of investments		(35,083,942)	(105,635,594)
Sales of investments		56,341,832	60,653,612
Interest and investment income		2,033,186	481,758
Net cash provided by (used in) investing activities		23,291,076	(44,500,224)
Net increase in cash and cash equivalents		12,944,850	11,099,282
Cash and cash equivalents, beginning of year		39,125,289	28,026,007
Cash and cash equivalents, end of year	$	52,070,139	39,125,289
Reconciliation to statements of net position:			
Current cash and cash equivalents, unrestricted	$	23,092,192	17,884,707
Current cash and cash equivalents, restricted		20,486,287	5,443,946
Noncurrent cash and cash equivalents, restricted		8,491,660	15,796,636
Cash and cash equivalents, end of year	$	52,070,139	39,125,289
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	6,323,634	4,186,376
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense		17,380,122	17,009,560
Change in assets and liabilities resulting from operations:			
Receivables		815,808	(1,884,370)
Prepaid expenses		40,744	(85,540)
Accounts payable and accrued expenses		(461,416)	104,006
Net pension liability		462,224	702,124
Deferred inflow/outflow of resources, net		10,399,343	(3,448,532)
Other postemployment benefit payable		(8,988,473)	5,326,215
Net cash provided by operating activities	$	25,971,986	21,909,839
Supplemental disclosures for noncash activities:			
Unrealized gain/(loss) on investments	$	291,484	415,883
Capital assets in contracts and retainage payable		9,877,420	7,176,402
Interest expense capitalized		3,132,899	2,715,874

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Authority Operations

The Airport Authority of the City of Omaha (the Authority) was created pursuant to Nebraska state law. The affairs of the Authority are conducted by a board whose members are appointed by the mayor of the City of Omaha, Nebraska (the City), with the approval of the City Council. The Authority is a special-purpose government engaged only in business-type activities. The majority of the Authority's income is generated from airport user fees, including airline landing fees and terminal rentals, concession fees, and other building rentals, as well as Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs). The Authority does not levy or collect property taxes. The Authority is not included in the City's financial statements because the City is not financially accountable for the Authority. The accompanying financial statements are presented on the accrual basis of accounting and the economic resources measurement focus and reflect the assets and liabilities owned by the Authority and the results of the Authority's operations.

Operating revenues, such as rental income, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest, result from nonexchange transactions.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

(b) Grants

The Authority has entered into grant agreements with government agencies on certain construction projects. The Authority recognizes grant revenue as construction progresses on each project and when eligibility requirements are met. The Authority has in process various grants from the U.S. Department of Transportation/Federal Aviation Administration for the funding of Airport Improvement Program.

(c) Depreciation

Property, plant, and equipment are stated at historical cost. Depreciation of property, plant, and equipment is provided on all depreciable assets (except land and construction in progress), including those acquired with grants, over the estimated useful lives of the respective assets on the straight-line method.

Land Improvements	20–25 years
Airfield Improvements	15–30 years
Auto Parking Areas	10–30 years
Building	10–30 years
Building Furnishings	5–7 years
Equipment	5–15 years
Millard Airport	5–30 years

(Continued)

(d) Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

(e) Investments

Investments, primarily U.S. Treasury strips and notes, corporate bonds, federal agency securities, and commercial paper are carried at fair market value as of December 31, 2018 and 2017. Fair market value is based on established quoted market price. All investments of the Authority are carried to maturity.

(f) Pensions

In accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred inflow and outflow of resources and pension expense have been recognized in the financial statements. See additional pension information in footnote 6.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflow and inflow of resources due to pension assets and liabilities. See additional information regarding the Authority's pension plan in footnote 6.

For purposes of measuring the net pension liability, deferred outflow of resources, deferred inflow of resources, and pension expense, information about the fiduciary net position of the retirement plan and addition to/deductions from the retirement plan's fiduciary net position have been determined on the same basis as they are reported by the retirement plan. For this purpose, benefit payments are recognized when due and payable in accordance with terms of the plan. The pension plan's investments are held in either: (1) a diversified large cap S&P 500 index fund which is reported at fair market value (Level 1) or (2) group annuity contracts which are reported at contract value. Contract value represents Authority contributions made under the contract, plus investment income, less funds used to make benefit payments and administration expenses. An adjustment is made to contract value to mark the investment to the value at which would have been distributed had the Authority requested a lump sum withdrawal of funds from the Policy as of the measurement date.

(g) Other Postemployment Benefits (OPEB)

Postemployment benefits other than pension benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an amendment of GASB Statement No. 45*. This pronouncement establishes standards for the measurement and recognition of postemployment benefit expense, related liabilities, assets, deferred inflow and outflow of resources, note disclosures and required supplementary information. The Authority only funds OPEB on a pay-as-you-go basis, thus there are no plan assets to offset the

OPEB liability. See additional information regarding the Authority's other postemployment benefits in footnotes 7 and 10.

(h) Deferred Inflow and Outflow of Resources

Deferred inflow of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. A deferred inflow of resources has a negative impact on net position similar to liabilities but is required to be reported within the statement of net position in a separate section following liabilities and the total may be added to the total for liabilities. A deferred outflow of resources has a positive effect on net position similar to assets but is required to be reported in the statement of net position in a separate section following assets and the total may be added to the total for assets. Deferred outflow/inflow of resources include various pension related amounts (see footnote 6), other postemployment benefit related amounts (see footnote 7), as well as bond refunding related amounts (see footnote 4).

(i) Revenue Recognition

Revenue is recognized when risk of loss is transferred to customers upon delivery based on landing area fees, rental space and concessions, and collectability is reasonably assured. Revenue is recognized as the net amount to be received after deducting estimated amounts for discounts and trade allowances.

(j) Tax-Exempt Status

The Authority, a corporate municipality/political subdivision authorized by state statute and activated as a result of passage of a City resolution, is not subject to federal, state, or local income, sales, or property taxes.

(k) Customer Facility Charges (CFCs)

In April 2015, the Authority by resolution began collection of a Customer Facility Charge (CFC) of $2.50 per rental car transaction day for the purpose of funding the rental car improvements and related debt service portion of a new public and rental car six-story parking garage. The CFC rate can be adjusted by Authority resolution at any time and is recorded as nonoperating revenues.

(l) Passenger Facility Charges (PFCs)

In February 2018, the commercial airlines serving Eppley Airfield began collecting on behalf of the Authority a Passenger Facility Charge (PFC) on qualifying enplaning passengers at Eppley Airfield. Airports use PFCs to fund projects that enhance safety, security, or capacity; reduce noise; or increase air competition. The PFC Program is regulated by the Federal Aviation Administration (FAA). Both the fee and intended projects must be reviewed and approved by the FAA. The current maximum fee that can be authorized through federal regulation is $4.50 per enplaning passenger. The Authority was approved to collect at the maximum $4.50 level for qualifying terminal and airfield development related projects. PFC revenues are recorded as nonoperating revenues.

(m) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates and assumptions used in preparing the financial statements.

(n) Reclassifications from 2017

Certain balances from 2017 have been reclassified to conform to the current year presentation.

(2) Cash and Investments

Included in current assets is unrestricted cash and cash equivalents held by the Authority at December 31, 2018 and 2017 of $23,092,192 and $17,884,707, respectively. Current restricted cash and cash equivalents at December 31, 2018 and 2017 totaled $11,315,973 and $5,443,946, respectively. Included within these amounts are principal and interest money market accounts maintained by the bond trustee, rental car customer facility charges (CFCs), airline passenger facility charges (PFCs), as well as Bond Series 2017 parking garage/rental car facilities cash and investment construction accounts. Included in noncurrent assets is restricted cash and cash equivalents held by the Authority at December 31, 2018 and 2017 of $17,661,974 and $15,796,636. Included within these amounts are restricted bond reserve and debt service funds of $5,490,594 and $5,490,594 as of December 31, 2018 and 2017, respectively, as well as $12,171,380 and $10,306,042 as of December 31, 2018 and 2017, respectively, in money market accounts restricted for the 2017-2018 parking garage/rental car facilities construction project, CFCs, and PFCs.

Statutes and resolutions adopted by the Board of Directors authorize the Authority to invest in obligations of the U.S. Treasury, certain short-term corporate bonds, commercial paper, agencies and instrumentalities, and repurchase agreements, and mutual and stock funds within the deferred compensation accounts. The Authority's investments consist of U.S. government securities backed by the full faith and credit of the U.S. government, short-term corporate bonds, short-term commercial paper and federal agency securities. The deferred compensation accounts are invested in mutual and stock funds. At December 31, 2018 and 2017, management believes the Authority is in compliance with the applicable statutes and resolutions. All bank balances were covered by federal depository insurance or pledged collateral.

Investments Valued at Fair Value: GASB Statement No. 72 provides a framework for fair value that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.); or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 – Unobservable inputs for assets or liabilities that reflect the Authority's own assumptions about the assumptions that market participants would use.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2018 and 2017:

	December 31, 2018 Fair value measurement using			
	Total fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level investment securities:				
U.S. Treasury strips	$ 6,108,119	6,108,119	—	—
Corporate bonds	34,387,820	—	34,387,820	—
U.S. Agency securities	32,656,747	—	32,656,747	—
U.S. Treasury notes	25,992,310	25,992,310	—	—
Commercial paper	6,010,373	—	6,010,373	—
Total investments	$ 105,155,369	32,100,429	73,054,940	—

	December 31, 2017 Fair value measurement using			
	Total fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level investment securities:				
U.S. Treasury strips	$ 27,087,484	27,087,484	—	—
Corporate bonds	34,659,997	—	34,659,997	—
U.S. Agency securities	24,729,889	—	24,729,889	—
U.S. Treasury notes	40,227,372	40,227,372	—	—
Total investments	$ 126,704,742	67,314,856	59,389,886	—

The following is a description of the valuation methodologies used for assets measured at fair value:

- U.S. Treasury strips and U.S. Treasury notes (Level 1) are valued using prices quoted in active markets.
- U.S. Agency securities, corporate bonds, and commercial paper (Level 2) are derived principally from or corroborated by market data by correlation or other means.
- Money market mutual funds are valued at the daily closing price as report by the fund.

As of December 31, 2018 and 2017, the Authority has the following investments and related maturities:

December 31, 2018	Total fair value	Investment maturities (in years) Less than 1	1–5	6–10
Investments:				
U.S. Treasury strips	$ 6,108,119	6,108,119	—	—
U.S. Treasury notes	25,992,310	12,008,830	13,983,480	—
Corporate bonds	34,387,820	2,993,377	31,394,443	—
Agency securities	32,656,747	—	32,656,747	—
Commercial paper	6,010,373	6,010,373	—	—
Total investments	105,155,369	27,120,699	78,034,670	—
Cash equivalents:				
Money market mutual funds	739,100	739,100	—	—
Government-backed money markets	16,372,301	16,372,301	—	—
Total cash equivalents	17,111,401	17,111,401	—	—
Deposits:				
Cash	34,958,738	34,958,738	—	—
Total deposits and cash equivalents	52,070,139	52,070,139	—	—
Grand total	$ 157,225,508	79,190,838	78,034,670	—

December 31, 2017		Total fair value	Investment maturities (in years) Less than 1	1–5	6–10
Investments:					
U.S. Treasury strips	$	27,087,484	21,069,148	6,018,336	—
U.S. Treasury notes		40,227,372	35,272,684	4,954,688	—
Corporate bonds		34,659,997	—	34,659,997	—
Agency securities		24,729,889	—	24,729,889	—
Total investments		126,704,742	56,341,832	70,362,910	—
Cash equivalents:					
Money market mutual funds		1,074,917	1,074,917	—	—
Government-backed money markets		15,796,636	15,796,636	—	—
Total cash equivalents		16,871,553	16,871,553	—	—
Deposits:					
Cash		22,253,736	22,253,736	—	—
Total deposits and cash equivalents		39,125,289	39,125,289	—	—
Grand total	$	165,830,031	95,467,121	70,362,910	—

Credit Risk – The Authority does not have an investment policy that would further limits its investment choices beyond the permitted investment as defined in the master bond resolution. As of December 31, 2018 and 2017, the Authority's investments in the money market mutual funds are not rated, but the U.S. government-backed money markets were rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The corporate bonds are rated in one of the two highest categories (AAA or AA) by one or more of the rating agencies as required by the master bond resolution. Commercial paper is an unsecured, short-term debt instrument issued by corporations. The commercial paper held by the Authority is rated in the highest short-term rate category by Moody's Investor Service (P-1). U.S. Treasury Strips and U.S. Treasury Notes are obligations of the United States government. Agency paper is an obligation of United States government agencies, carrying the highest credit rating from one or more of the rating agencies.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the government entity will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The Authority has no investment securities that would be exposed to custodial credit risk in the event of the failure of the counterparty to a transaction.

Concentration of Credit Risk – The Authority has no investment policy limit on the amount it may invest in any one issuer. More than 5% of the Authority's investments are in Berkshire Hathaway (AA), Microsoft Corp (AAA) and Apple Inc. (AA) corporate bonds. These investments are 9.6%, 7.2% and 9.4%, respectively, of the Authority's total investments as of December 31, 2018. The Authority also holds commercial paper issued by Malayan Banking Berhad that is rated P-1 by Moody's Investor Service. Commercial paper makes up 5.7% of the Authority's total investments as of December 31, 2018.

(3) Property, Plant, and Equipment

The property, plant, and equipment activity for 2018 and 2017 is summarized as follows:

	Balance December 31, 2017	Additions		Disposals/ retirements	Balance December 31, 2018
Plant in service:					
Land (nondepreciable)	$ 10,786,590	—		—	10,786,590
Land improvements	15,229,796	34,979		—	15,264,775
Airfield improvements	382,540,663	421,470		—	382,962,133
Auto parking areas	50,384,077	89,502		—	50,473,579
Buildings	111,820,569	2,291,258		—	114,111,827
Equipment	27,396,134	1,641,514		235,897	28,801,751
Millard Airport	11,488,289	697,656		—	12,185,945
Construction in progress (nondepreciable)	32,887,316	45,082,146	(1)	—	77,969,462
Total	642,533,434	50,258,525		235,897	692,556,062
Less accumulated depreciation:					
Land improvements	7,632,092	627,185		—	8,259,277
Airfield improvements	163,963,841	10,874,154		—	174,837,995
Auto parking areas	33,707,669	1,640,851		—	35,348,520
Buildings	92,536,545	2,003,946		—	94,540,491
Equipment	15,160,978	1,843,746		226,595	16,778,129
Millard Airport	7,877,525	390,240		—	8,267,765
Total	320,878,650	17,380,122		226,595	338,032,177
Net	$ 321,654,784	32,878,403		9,302	354,523,885

(1) Net change for the year of all activity.

	Balance December 31, 2016	Additions		Disposals/ retirements	Balance December 31, 2017
Plant in service:					
Land (nondepreciable)	$ 10,786,590	—		—	10,786,590
Land improvements	14,994,196	235,600		—	15,229,796
Airfield improvements	343,619,160	38,921,503		—	382,540,663
Auto parking areas	54,540,146	1,881,285		6,037,354	50,384,077
Buildings	111,095,410	725,159		—	111,820,569
Equipment	24,164,694	3,576,448		345,008	27,396,134
Millard Airport	11,320,841	167,448		—	11,488,289
Construction in progress (nondepreciable)	26,088,338	6,798,978	(1)	—	32,887,316
Total	596,609,375	52,306,421		6,382,362	642,533,434
Less accumulated depreciation:					
Land improvements	7,166,313	465,779		—	7,632,092
Airfield improvements	153,413,434	10,550,407		—	163,963,841
Auto parking areas	36,238,564	1,976,506		4,507,401	33,707,669
Buildings	90,312,596	2,223,949		—	92,536,545
Equipment	14,081,748	1,424,238		345,008	15,160,978
Millard Airport	7,508,844	368,681		—	7,877,525
Total	308,721,499	17,009,560		4,852,409	320,878,650
Net	$ 287,887,876	35,296,861		1,529,953	321,654,784

(1) Net change for the year of all activity.

The majority of rental activities, as described in footnote 5, originate from auto parking areas and buildings, which have a net book value of approximately $35 million and $36 million at December 31, 2018 and 2017, respectively. The Authority is continually involved in construction and plant renewal in the normal course of operations, of which a significant portion of airfield improvements are federally funded.

(4) Long-Term Obligations

The long-term obligation activity for 2018 and 2017 is summarized as follows:

	Balance December 31, 2017	Additions 2018	Payments/ amortization 2018	Balance December 31, 2018	Current installments December 31, 2018
Series 2017 A,B,C bonds	$ 67,880,000	—	2,345,000	65,535,000	2,425,000
2017 A,B,C bond premium	7,018,504	—	607,152	6,411,352	591,475
Total	$ 74,898,504	—	2,952,152	71,946,352	3,016,475
Other long-term liabilities:					
Net pension liability	$ 6,443,107	462,224	—	6,905,331	—
Other postemployment benefit payable	43,629,496	—	8,988,473	34,641,023	722,774
Total other long-term liabilities	$ 50,072,603	462,224	8,988,473	41,546,354	722,774

	Balance December 31, 2016	Additions 2017	Payments/ amortization 2017	Balance December 31, 2017	Current installments December 31, 2017
Series 2017 A,B,C bonds	$ —	70,000,000	2,120,000	67,880,000	2,345,000
2017 A,B,C bond premium	—	7,615,480	596,976	7,018,504	607,152
Net	—	77,615,480	2,716,976	74,898,504	2,952,152
Series 2010 bonds	8,730,000	—	8,730,000	—	—
2010 bond premium	55,528	—	55,528	—	—
Net	8,785,528	—	8,785,528	—	—
Hangar loan	11,800	—	11,800	—	—
Total	$ 8,797,328	77,615,480	11,514,304	74,898,504	2,952,152
Other long-term liabilities:					
Net pension liability	$ 5,740,983	702,124	—	6,443,107	—
Other postemployment benefit payable	38,303,281	5,326,215	—	43,629,496	826,700
Total other long-term liabilities	$ 44,044,264	6,028,339	—	50,072,603	826,700

On February 22, 2017, the Authority closed on the Series 2017 A, B and C Airport Revenue/Refunding Bonds (Revenue/Refunding Bonds). The purpose of the Revenue/Refunding Bonds was to finance a portion of the construction of a 3,000 space parking garage, rental car facilities, various other parking area improvements, fund debt service reserve accounts and to defease the then outstanding Series 2010 bonds. The entire project's construction cost was estimated to be approximately $89 million. The following is a summary of the original Series 2017 issued bonds:

Series	Par	Premium	Coupon%	Yield%	TIC%
A-Tax exempt AMT	$ 49,305,000	6,720,344	2.00–5.00%	1.05–3.57%	3.58%
B-Tax exempt	11,225,000	895,136	2.00–5.00%	0.96–3.70%	3.31
C-Taxable	9,470,000	—	1.285–4.204%	1.285–4.204%	3.94
Total	$ 70,000,000	7,615,480		Blended	3.59%

These serial and term bonds have a final maturity of 20 years through December 15, 2036. The bonds are first callable at par on December 15, 2026 (10 years). Debt service reserve accounts were fully funded in the total amount of $5,490,594 in 2017. The average total annual debt service (beyond the first partial 2017 year) for all the bonds will be approximately $5,481,000. Collected rental car concession customer CFC's of $2,489,000 will be applied annually each year the bonds are outstanding as a direct payment toward the debt service of all the Series C taxable bonds and approximately 45% of the Series A tax exempt AMT bonds (Moody's and Standard and Poor's bond rating agencies have provided Aa3 and AA- stable ratings on the Series 2017 bonds, respectively). Total bond issuance costs of $525,565 were expensed in 2017. There were no such costs in 2018.

The former Series 2010 Airport Revenue Bonds were defeased on February 22, 2017 by placing funds into an escrow account held by the bond trustee. The bonds maturing on or after January 1, 2020 will be redeemed at that time by the bond trustee at 100%. As part of the defeasance and advanced refunding of the Series 2010 bonds, the difference between the reacquisition price and net carrying amount is recorded as a deferred outflow of resources and is expensed as a component of interest expense over the remaining life of the old debt.

The defeasance of the outstanding Series 2010 Revenue Bonds by the Series 2017B Refunding Bonds resulted in a gross economic loss of $1,395,178 (using the Series 2017 coupon rates) and a present value gain of $287,598 (discounted at the arbitrage bond yield). The defeasance (or refunding) of the Series 2010 bonds was not performed for the traditional purpose to recognize savings on this particular series of bonds. Rather, the defeasance was part of a much larger Series 2017 ABC issuance as per above. With the defeasance of the Series 2010 Bonds, the Authority was able to replace the former 1984 Basic Resolution with a new 2018 Basic Resolution. The refunding bonds' amortization period was expanded to 20 years in order to achieve overall level debt service. Rather than use its available cash to defease the Series 2010 bonds, the Authority used available cash for much of the higher interest rate AMT qualified construction expenditures in order to reduce the amount of "new money" AMT bonds necessary (approximately $9 million). The economic savings of the transaction came about by paying approximately 25-30 basis points less of interest cost on fewer AMT bonds necessary.

The 0% Hangar Loan was paid off on October 31, 2017.

The minimum aggregate debt service, prior to the effects of bond premium for succeeding years are as follows:

		Principal	Interest	Total
Years:				
2019	$	2,425,000	3,055,292	5,480,292
2020		2,515,000	2,966,532	5,481,532
2021		2,625,000	2,855,849	5,480,849
2022		2,745,000	2,734,378	5,479,378
2023		2,875,000	2,606,489	5,481,489
2024–2028		16,510,000	10,901,582	27,411,582
2029–2033		20,830,000	6,569,965	27,399,965
2034–2037		15,010,000	1,425,055	16,435,055
Total	$	65,535,000	33,115,142	98,650,142

The Master Bond Resolution adopted on December 20, 2016 requires the Authority to provide net revenue at an amount not less than 1.25 times the aggregate amount required to be paid into the interest account and the principal account during the then current fiscal year. “Net Revenue” means all revenue less operations and maintenance expenses (inclusive of general and administrative expenses). For the years ended December 31, 2018 and 2017, the ratios were 9.44 and 9.13, respectively.

The bond resolutions also provide for the maintenance of a revenue fund represented by a cash account into which all moneys, exclusive of Federal grant revenues, Custom Facility Charges (CFCs) and Passenger Facility Charges (PFCs) (commenced on February 1, 2018) which are for restricted use, derived by the Authority from ownership and operation of the airport properties under the control of the Authority are to be deposited. These funds are transferred monthly, in amounts to meet specified requirements, to separate accounts for operations and maintenance, bond redemption and interest, bond reserves, and capital improvements/projects. Management believes the Authority was in compliance with all debt covenants for the years ended December 31, 2018 and 2017.

(5) Rental Income from Operating Leases

Base rental income is recognized on a straight-line basis over the lease term. The following is a schedule, by year, of approximate minimum future rental income on noncancelable operating leases as of December 31, 2018:

Years ending December 31:		
2019	$	10,351,000
2020		5,624,000
2021		5,006,000
2022		4,065,000
2023		3,649,000
2024–2028		7,131,000
2029–2033		3,884,000
2034–2038		3,622,000
2039–2043		2,339,000
2044–2048		728,000
Total	$	46,399,000

The above amounts do not include additional contingent percentage rentals, which amounted to approximately $16,482,000 and $14,878,000 in 2018 and 2017, respectively. Total rental income in 2018 and 2017 was approximately $40,175,000 and $37,922,000, respectively.

(6) Retirement Plan

(a) Plan Description

The Authority sponsors the Airport Authority of Omaha, Nebraska Retirement Plan (the Plan). The Plan is a single-employer, noncontributory, defined benefit pension plan covering substantially all permanent employees and providing for retirement benefits based on a percentage of final average compensation. The plan administrator is the Director of Finance and Administration of the Authority. The Authority desires to approximate its contributed funds with the net pension expense and systematic amortization of the net pension liability determined on an actuarially determined basis. Separate financial statements are not prepared for the Plan.

Plan participants covered by the Plan, as of December 31, 2018 and 2017, are summarized below.

	2018	**2017**
Active vested members	118	127
Inactive vested members	9	10
Total members	127	137

(b) Administrative Expenses

Actuarial, investment management, and bank trustee fees and expenses are charged to the Plan as incurred.

(c) Plan Benefits

Any employee is eligible to participate in the Plan after completion of one year of service and the attainment of age 21. A participant is eligible for normal retirement the first day of the month coinciding with or next following attainment age of 65 (age 55 for Aircraft Rescue and Fire Fighters (ARFF) members). However, a participant at least age 50 may retire with unreduced benefits on the first day of any month following the date the participant's age plus years of service equals 85. Upon normal retirement, a participant is entitled to 1% of the participant's average compensation plus 0.5% of the participant's final average compensation in excess of $400 monthly, the sum multiplied by the number of years of service.

Participants are eligible for early retirement the first day of any month prior to normal retirement date, provided the participant has attained age 60 (age 50 for ARFF members) and completed 10 years of service. A participant who retires at the early retirement date will receive benefits equal to the actuarial equivalent of the participant's normal retirement benefit, based on salary and service information as of the actual retirement date.

A participant who retires past the normal retirement date will receive a benefit equal to the participant's accrued benefit based on compensation and service to the participant's actual date of retirement.

Benefits are paid in the default form of a straight life annuity (for single employees) and 50% joint and survivorship annuity (for married employees), although optional forms of benefit are available including lump sum distributions or rollovers at the actuarial equivalent of the participant's accrued benefit attributable to employer contributions.

(d) Net Pension Liability

The Authority's net pension liability for the plan as of December 31, 2018 and 2017 was measured as of December 31, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 and 2017.

(i) Changes in Net Pension Liability

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (a) – (b)**
Balances as of December 31, 2016	$ 20,109,260	14,368,277	5,740,983
Changes for the year:			
Service cost	968,614	—	968,614
Interest on total pension liability	995,170	—	995,170
Effect of plan changes	—	—	—
Effect of economic/demographic gains or losses	381,976	—	381,976
Effect of assumptions changes or inputs	570,755	—	570,755
Benefit payments	(2,377,955)	(2,377,955)	—
Employer contributions	—	1,815,046	(1,815,046)
Member contributions	—	—	—
Net investment income	—	491,438	(491,438)
Administrative expenses	—	(92,093)	92,093
Balances as of December 31, 2017	20,647,820	14,204,713	6,443,107
Changes for the year:			
Service cost	1,044,022	—	1,044,022
Interest on total pension liability	989,583	—	989,583
Effect of plan changes	—	—	—
Effect of economic/demographic gains or losses	527,668	—	527,668
Effect of assumptions changes or inputs	(68,135)	—	(68,135)
Benefit payments	(3,847,304)	(3,847,304)	—
Employer contributions	—	2,003,449	(2,003,449)
Member contributions	—	—	—
Net investment income	—	203,387	(203,387)
Administrative expenses	—	(175,922)	175,922
Balances as of December 31, 2018	$ 19,293,654	12,388,323	6,905,331

(ii) Sensitivity Analysis

The following presents the net pension liability of the Authority, calculated using the discount rate of 5.00% at December 31, 2018 and 2017, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate.

	2018		
	1% Decrease 4.00%	Current discount rate 5.00%	1% Increase 6.00%
Net pension liability	$ 9,861,390	6,905,331	4,450,792

	2017		
	1% Decrease 4.00%	Current discount rate 5.00%	1% Increase 6.00%
Net pension liability	$ 9,569,857	6,443,107	3,843,347

The following were the significant actuarial assumptions used in the valuation of the Plan as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Valuation date	January 1, 2019	January 1, 2018
Measurement date	December 31, 2018	December 31, 2017
Inflation	2.50%	2.50%
Salary increases including inflation	3.50	3.50
Investment rate of return	5.00	5.00
Pre-retirement mortality	RP-2014 Mortality Tables adjusted to reflect mortality improvement scale MP-2018	RP-2014 Mortality Tables adjusted to reflect mortality improvement scale MP-2017
Post-retirement mortality	The applicable Mortality Table for Lump Sums as mandated by the IRS	The applicable Mortality Table for Lump Sums as mandated by the IRS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar, closed over 11 years	Level dollar, closed over 11 years
Asset valuation method	Market value	Market value

The Plan has not had a formal actuarial experience study performed.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected real returns and reflecting expected volatility and correlation. The capital market assumptions were determined based on discussions with Authority management.

	Target allocation	Arithmetic Long-term expected real rate of return	Geometric Long-term expected real rate of return
United of Omaha Group Annuity Policy GDA-664	90.00 %	2.37 %	2.26 %
Principal Financial Group-Large Cap S&P 500 Index	10.00	4.72	3.62
Portfolio real mean return		5.12	5.06
Portfolio Assumed inflation rate – mean		2.50	2.50
Portfolio Assumed inflation rate – standard deviation		1.65	1.65
Portfolio nominal mean return		2.61	2.50
Portfolio Standard deviation			3.66
Long-term expected rate of return			5.00

The discount rate used to measure the total pension liability was 5.0% at December 31, 2018 and 2017. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(e) Pension Expense

For the fiscal years ended December 31, 2018 and 2017, the Authority recognized pension expense (included within employee benefits) of $1,738,536 and $1,404,235, respectively. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions (none) and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the Authority's years ended December 31, 2018 and 2017 are summarized as follows:

		2018	2017
Service cost	$	1,044,022	968,614
Interest on total pension liability		989,583	995,170
Effect of plan changes		—	—
Administrative expenses		175,922	92,093
Member contributions		—	—
Expected investment return net of investment expenses		(660,357)	(702,239)
Recognition of deferred inflow/outflow of resources:			
Recognition of economic/demographic gains or losses		114,164	59,765
Recognition of assumption changes or inputs		57,106	64,130
Recognition of investment gains or losses		18,096	(73,298)
Pension expense	$	1,738,536	1,404,235

(f) Deferred outflow/inflow of resources related to pension

In accordance with GASB Statement No. 68, the Authority recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and the difference between actual and expected investment returns. At December 31, 2018 and 2017, the Authority reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources as follows:

		December 31, 2018	
		Deferred inflow of resources	Deferred outflow of resources
Differences between expected and actual experience	$	(235,967)	1,196,362
Changes of assumptions		(61,111)	442,495
Net difference between projected and actual earnings on pension plan investments		—	686,814
Contributions made subsequent to measurement date		—	—
Total	$	(297,078)	2,325,671

		December 31, 2017	
		Deferred inflow of resources	Deferred outflow of resources
Differences between expected and actual experience	$	(314,624)	861,515
Changes of assumptions		—	506,625
Net difference between projected and actual earnings on pension plan investments		—	247,940
Contributions made subsequent to measurement date		—	—
Total	$	(314,624)	1,616,080

Amounts currently reported as deferred outflow of resources and deferred inflow of resources, as of December 31, 2018, related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2019	$	393,261
2020		411,144
2021		304,829
2022		335,403
2023		190,752
Thereafter		393,204
Total net deferrals	$	2,028,593

Investment gains/losses are recognized over a period of five years; economic/demographic gains/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members (7-10 years).

(7) Postemployment Benefits Other Than Pensions

Effective January 1, 2017, the Authority adopted GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and establishes standards for recognizing and measuring liabilities, deferred outflow of resources, deferred inflow of resources, and expense/expenditures.

(a) Plan Description and Funding Policy

The Authority's single-employer defined benefit OPEB plan provides postemployment medical and dental benefits in accordance with union contracts and board of directors' resolutions to all full-time employees and their spouses and life insurance benefits to salaried employees who retire from the Authority upon completion of certain years of service or age. The membership as of December 31, 2018 includes 140 active participants and 45 retirees and surviving spouses. The membership as of December 31, 2017 includes 134 active participants and 33 retirees and surviving spouses. The

Authority pays 100% of the monthly premium amounts for the medical, dental, and life insurance coverage of the eligible retirees and their spouses. Postemployment benefits are funded on a pay-as-you-go basis and amounted to $801,349 in 2018 and $645,000 in 2017. No assets are accumulated in a trust that meets the criteria of GASB 75. Separate financial statements are not prepared for this plan as no funded trust account exists. The OPEB plan is administered by the Director of Finance and Administration of the Authority.

(b) Total OPEB Liability

The Authority's total OPEB liability for the plan as of December 31, 2018 and 2017 was measured as of December 31, 2018 and 2017 and was determined by an actuarial valuation as of December 31, 2018 and December 31, 2016, respectively.

(i) Changes in Total OPEB Liability

		Increase (Decrease) Total OPEB liability
Balance as of December 31, 2016	$	38,303,281
Changes for the year:		
Service cost		2,110,289
Interest on total OPEB liability		1,515,556
Effect of plan changes		—
Effect of economic/demographic gains or losses		—
Effect of assumption changes or inputs		2,345,370
Benefit payments		(645,000)
Balance as of December 31, 2017		43,629,496
Changes for the year:		
Service cost		2,387,667
Interest on total OPEB liability		1,569,324
Effect of plan changes		—
Effect of economic/demographic gains or losses		(6,538,457)
Effect of assumption changes or inputs		(5,605,658)
Benefit payments		(801,349)
Balances as of December 31, 2018	$	34,641,023

(ii) Sensitivity Analysis

The following presents the total OPEB liability of the Authority, calculated using the stated discount rate at December 31, 2018 and 2017, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

		2018		
		1% Decrease 3.10%	**Discount rate 4.10%**	**1% Increase 5.10%**
Total OPEB liability	$	40,498,075	34,641,023	29,941,844

		2017		
		1% Decrease 2.44%	**Discount rate 3.44%**	**1% Increase 4.44%**
Total OPEB liability	$	51,720,113	43,629,496	37,217,946

The following presents the total OPEB liability of the Authority, calculated using the current healthcare cost trend rates as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

		2018		
		1% Decrease	**Heathcare cost current trend rate**	**1% Increase**
Total OPEB liability	$	29,515,360	34,641,023	41,150,117

		2017		
		1% Decrease	**Heathcare cost current trend rate**	**1% Increase**
Total OPEB liability	$	36,305,910	43,629,496	53,091,755

(c) OPEB Expense

For the fiscal years ended December 31, 2018 and 2017, the Authority recognized OPEB expense of $2,792,341 and $3,929,649, respectively. Annual OPEB expense consists of service cost, interest and administrative expenses on the OPEB liability less employee contributions and projected earnings on plan investments (none). The OPEB expense for the Authority's years ended December 31, 2018 and 2017 are summarized as follows:

		2018	2017
Service cost	$	2,387,667	2,110,289
Interest and administrative expenses on total OPEB liability		1,569,324	1,515,556
Effect of plan changes		—	—
Recognition of Deferred Inflow/Outflow of Resources:			
Recognition of economic/demographic gains or losses		(790,624)	—
Recognition of assumption changes or inputs		(374,026)	303,804
OPEB expense	$	2,792,341	3,929,649

(d) Deferred outflow/inflow of resources related to pension

In accordance with GASB Statement No. 75, the Authority recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and contributions subsequent to the measurement date as deferred outflow/inflow of resources. At December 31, 2018 and 2017, the Authority reported deferred outflow of resources and deferred inflow of resources related to OPEB from the following sources as follows:

		December 31, 2018	
		Deferred inflow of resources	Deferred outflow of resources
Differences between expected and actual experience	$	(5,747,833)	—
Changes of assumptions		(4,927,828)	1,737,762
Contributions made subsequent to measurement date		—	—
Total	$	(10,675,661)	1,737,762

		December 31, 2017	
		Deferred inflow of resources	Deferred outflow of resources
Differences between expected and actual experience	$	—	—
Changes of assumptions		—	2,041,566
Contributions made subsequent to measurement date		—	—
Total	$	—	2,041,566

Net amounts currently reported as deferred outflow of resources and deferred inflow of resources as of December 31, 2018, related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ending December 31:		
2019	$	(1,164,650)
2020		(1,164,650)
2021		(1,164,650)
2022		(1,164,650)
2023		(1,164,650)
Thereafter		(3,114,649)
	$	(8,937,899)

The following were the significant actuarial assumptions were used to determine the total OPEB liability as of December 31, 2018 and 2017:

Valuation date	December 31, 2018	December 31, 2016
Measurement date	December 31, 2018	December 31, 2017
Salary increases including inflation	3.00%	3.00%
Mortality	RP-2014 projected back to 2006 using Projection Scale MP-2014 with generational projection using MP-2018	RP-2014 projected back to 2006 using Projection Scale MP-2014 with generational projection using MP-2016
Actuarial cost method	Entry Age Normal	Entry Age Normal

The OPEB plan has not had a formal actuarial experience study.

As of December 31, 2018 and 2017, the actuarial assumptions included a discount rate of 4.10% and 3.44%, respectively based on the 20-year Bond Buyer GO Index. An annual healthcare cost trend rate of 5.35% (post 65) initially, reduced by decrements to an ultimate rate of 4.0% based upon the Getzen model. The assumptions also include a dental trend rate of 5.0% initially, reduced by decrements to an ultimate rate of 3.8%. Salary increases including inflation assumption is 3.0% per year.

(8) Risk Management

The Authority is subject to various risks of loss related to unemployment compensation, general liability, and property insurance. The Authority has purchased commercially available indemnity insurance to cover these risks. The deductible amounts for this insurance would be immaterial to the Authority. Settled claims have not exceeded coverage in the last three years. The Authority has “acts of terrorism” insurance coverage on its property policy up to the policy limit of $245 million. The Authority has “war” insurance coverage on its liability policy up to a sublimit of $50 million; however, U.S. Government Certified Acts of Terrorism are excluded.

(9) Contingencies and Commitments

The Authority participates in federal grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority.

The Authority is named as a party in legal proceedings that occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability. However, it is the Authority’s position that any ultimate liability is not expected to have a material adverse effect on the Authority’s financial position.

(10) Accounting Change/Restatement

As discussed in footnote 7, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during fiscal year 2018. To record the cumulative effect of implementing the change in accounting principle, the Authority has made an adjustment to its net position as of December 31, 2016 to include amounts for the total OPEB liability and other deferred outflow of resources and deferred inflow of resources. The previously stated net position balance has been adjusted as follows:

Net position December 31, 2016, as previously reported	$	356,523,117
Cumulative effect of change in accounting principle		(12,640,885)
Net position January 1, 2017, as adjusted	$	343,882,232

(11) Subsequent Event

The Authority has evaluated subsequent events through April 30, 2019, the date the financial statements were available to be issued and noted no additional items to disclose.

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Required Supplementary Information

Schedules of Changes in the Net Pension Liability and Related Ratios – Retirement Plan

December 31, 2018

(Unaudited)

Schedule of changes in net pension liability and related ratios (in thousands)

Fiscal year ending December 31

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability:											
Service cost	$	1,044	969	955	940	874	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability		989	995	937	973	991	N/A	N/A	N/A	N/A	N/A
Effect of plan changes		—	—	—	—	—	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses		528	382	305	467	(629)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs		(68)	571	—	—	—	N/A	N/A	N/A	N/A	N/A
Benefit payments		(3,847)	(2,378)	(1,655)	(2,633)	(699)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability		(1,354)	539	542	(253)	537	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning		20,648	20,109	19,567	19,819	19,283	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)		19,294	20,648	20,109	19,566	19,820	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position:											
Employer contributions		2,003	1,815	1,875	1,430	1,059	N/A	N/A	N/A	N/A	N/A
Member contributions		—	—	—	—	—	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses		204	492	175	787	1,658	N/A	N/A	N/A	N/A	N/A
Benefit payments		(3,847)	(2,378)	(1,655)	(2,633)	(699)	N/A	N/A	N/A	N/A	N/A
Administrative expenses		(176)	(92)	(79)	(139)	(16)	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position		(1,816)	(163)	316	(555)	2,002	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position, beginning		14,205	14,368	14,052	14,607	12,605	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position, ending (b)		12,389	14,205	14,368	14,052	14,607	N/A	N/A	N/A	N/A	N/A
Authority net pension liability, ending = (a) – (b)	$	6,905	6,443	5,741	5,514	5,213	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability		64.21%	68.80%	71.45%	71.82%	73.70%	N/A	N/A	N/A	N/A	N/A
Covered payroll	$	8,590	8,178	8,206	7,379	7,686	N/A	N/A	N/A	N/A	N/A
Authority net pension liability as a percentage of covered payroll		80.39%	78.78%	69.96%	74.72%	67.80%	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditors' report.

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Required Supplementary Information

Schedules of Contributions – Retirement Plan

December 31, 2018

(Unaudited)

Schedule of employer contributions

Fiscal year ending December 31		Actuarially determined contribution	Actual employer contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a% of covered payroll
2009	$	677,584	952,584	(275,000)	6,454,269	14.76 %
2010		770,297	770,297	—	6,507,760	11.84
2011		818,386	818,386	—	6,822,687	12.00
2012		870,279	870,279	—	7,309,674	11.91
2013		1,007,123	1,007,123	—	7,623,430	13.21
2014		1,059,282	1,059,282	—	7,686,268	13.78
2015		1,430,005	1,430,000	—	7,379,160	19.38
2016		1,474,867	1,874,867	(400,000)	8,205,826	22.85
2017		1,565,046	1,815,046	(250,000)	8,178,122	22.19
2018		1,753,449	2,003,449	(250,000)	8,589,537	23.32

See accompanying independent auditors' report and notes to required supplementary information for contributions.

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Required Supplementary Information

Schedules of Contributions – Retirement Plan

December 31, 2018

(Unaudited)

Notes to required supplementary information for contributions

Valuation date	January 1, 2019
Measurement date	December 31, 2018
Inflation	2.5 %
Salary increases including inflation	3.5
Investment rate of return	5.00 %
Pre-retirement mortality	RP-2014 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2018
Post-retirement mortality	The Applicable Mortality Table for Lump Sums as mandated by the IRS
Actuarial cost method	Entry Age Normal

See accompanying independent auditors' report.

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Required Supplementary Information

Schedules of Changes in Total OPEB Liability and Related Ratios

December 31, 2018

(Unaudited)

	Schedule of changes in total OPEB liability and related ratios (in thousands)									
	Fiscal year ending December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	$ 2,388	2,110	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	1,569	1,516	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change of plan changes	—	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	(6,538)	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(5,606)	2,345	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(801)	(645)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(8,988)	5,326	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	43,629	38,303	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	$ 34,641	43,629	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	$ 8,590	8,178	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered payroll	403.29%	533.49%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditors’ report.

Schedule 1

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Schedules of Revenues

Years ended December 31, 2018 and 2017

		2018	2017
Operating revenues:			
Landing area:			
Landing fees:			
Scheduled	$	9,401,319	9,067,131
Nonscheduled		36,100	29,942
Aviation fuel fees		361,270	340,413
Apron fees		325,374	314,551
Other		37,601	22,856
Total landing area		10,161,664	9,774,893
General aviation area:			
T-hangar rental		98,063	91,837
Other facility rental		399,526	399,526
Ground rental – fixed-base operators, other		802,606	787,802
Total general aviation area		1,300,195	1,279,165
Terminal building area:			
Building rental – airlines and other		8,659,229	7,994,134
Concessions:			
Advertising		319,582	362,745
Rental car		5,366,491	5,012,921
Insurance vending and business services		63,105	64,638
News and gift stand		1,326,074	1,134,599
Specialty shops		92,338	88,610
Restaurant and bar		1,752,901	1,464,271
Telephones		54,258	53,301
Other concession revenue		511	832
Utilities and tenant services:			
Security badging and other tenant services		257,183	145,389
Total terminal building area		17,891,672	16,321,440
Total operating revenues, balance carried forward		29,353,531	27,375,498

(Continued)

Schedule 1

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Schedules of Revenues

Years ended December 31, 2018 and 2017

		2018	2017
Total operating revenues, brought forward	$	29,353,531	27,375,498
Other facility area:			
Building rental		998,256	992,295
Ground rental		440,698	427,696
Auto parking – public and rental cars		19,302,641	18,559,065
Total other facility area		20,741,595	19,979,056
Millard Airport:			
Aviation fuel fees		14,696	10,999
Ground rental		53,870	54,075
T-hangar rental		284,782	281,990
Building rental		93,934	89,673
Other		257	660
Total Millard Airport		447,539	437,397
Total operating revenues		50,542,665	47,791,951
Customer facility charges (CFCs)		2,870,893	2,806,067
Passenger facility charges (PFCs)		9,134,227	—
Investment return		1,741,703	110,069
Federal and state grant revenue		554,961	15,090,538
Total nonoperating revenues		14,301,784	18,006,674
Total revenues	$	64,844,449	65,798,625

See accompanying independent auditors’ report.

Schedule 2

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Schedules of Expenses

Years ended December 31, 2018 and 2017

		2018	2017
Operating expenses:			
Operations and maintenance:			
Landing area:			
Wages	$	940,464	777,074
Payroll taxes		67,456	56,103
Employee benefits		443,308	416,144
Supplies and materials		641,650	618,202
Contractual services		282,494	333,771
Electricity		77,773	71,613
Communications		9,838	7,471
Other		1,473	338
Total landing area		2,464,456	2,280,716
General aviation area:			
Wages		122,783	143,406
Payroll taxes		9,168	10,297
Employee benefits		65,850	65,586
Supplies and materials		16,557	12,949
Contractual services		57,372	18,861
Electricity		18,425	17,918
Water and sewer fee		2,428	2,310
Communications		1,506	1,491
Total general aviation area		294,089	272,818
Terminal building area:			
Wages		2,308,250	2,278,973
Payroll taxes		168,105	166,683
Employee benefits		982,895	760,471
Supplies and materials		533,453	495,574
Contractual services		592,262	422,059
Electricity		664,477	640,742
Fuel – heating		105,092	87,762
Water and sewer fee		134,486	128,166
Communications		78,937	52,759
Trash disposal		51,076	43,848
Other		540	776
Total terminal building area		5,619,573	5,077,813
Total operations and maintenance, balance carried forward		8,378,118	7,631,347

(Continued)

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Schedules of Expenses

Years ended December 31, 2018 and 2017

		2018	2017
Total operations and maintenance, balance brought forward	$	8,378,118	7,631,347
Other facility area:			
Wages		143,237	152,427
Payroll taxes		10,345	11,140
Employee benefits		57,600	58,864
Supplies and materials		35,226	34,543
Contractual services		161,462	171,208
Electricity		35,046	63,783
Fuel – heating		6,390	7,593
Water and sewer fee		15,836	14,582
Communications		1,663	4,483
Other		—	577
Total other facility area		466,805	519,200
Fire – rescue facilities:			
Wages		1,594,340	1,595,547
Payroll taxes		118,330	117,964
Employee benefits		624,831	552,738
Supplies and materials		49,284	40,824
Contractual services		69,978	41,510
Electricity		8,154	8,263
Fuel – heating		5,546	4,236
Water and sewer fee		5,246	6,041
Communications		6,545	6,576
Trash disposal		778	433
Other		818	782
Total fire – rescue facilities		2,483,850	2,374,914
Service equipment:			
Wages		587,924	594,001
Payroll taxes		42,687	42,989
Employee benefits		242,752	210,857
Supplies and materials		257,510	225,482
Contractual services		112,732	111,877
Electricity		76,242	76,468
Fuel – heating		20,503	15,478
Gasoline and oil		159,893	125,162
Water and sewer fee		13,369	16,982
Communications		14,197	14,691
Trash disposal		4,820	4,636
Other		1,380	2,686
Total service equipment		1,534,009	1,441,309
Total operations and maintenance, balance carried forward		12,862,782	11,966,770

(Continued)

Schedule 2

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Schedules of Expenses

Years ended December 31, 2018 and 2017

		2018	2017
Total operations and maintenance, balance brought forward	$	12,862,782	11,966,770
Security:			
Wages		2,879,334	2,757,099
Payroll taxes		207,746	202,183
Employee benefits		969,753	872,519
Supplies and materials		99,382	84,887
Contractual services		113,532	86,916
Communications		11,974	11,933
Other		1,058	450
Total security		4,282,779	4,015,987
Other support facilities area:			
Wages		110,217	108,523
Payroll taxes		7,843	7,769
Employee benefits		55,473	55,305
Supplies and materials		53,743	80,820
Contractual services		79,378	37,326
Electricity		279,535	258,108
Fuel – heating		4,007	3,817
Water and sewer fee		58,112	85,678
Communications		5,294	5,289
Total other support facilities area		653,602	642,635
Millard Airport:			
Wages		44,111	50,500
Payroll taxes		3,236	3,670
Employee benefits		13,548	18,967
Supplies and materials		17,731	32,465
Contractual services		139,389	113,054
Electricity		22,370	20,909
Fuel – heating		5,026	3,827
Water and sewer fee		1,191	986
Trash disposal		30	73
Communications		3,371	2,956
Gasoline and oil		3,817	3,723
Other		(2,300)	17,789
Total Millard Airport		251,520	268,919
Total operations and maintenance, balance carried forward		18,050,683	16,894,311

(Continued)

Schedule 2

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Schedules of Expenses

Years ended December 31, 2018 and 2017

	2018	2017
Total operations and maintenance, balance brought forward	$ 18,050,683	16,894,311
General and administrative:		
Salaries	2,364,885	2,391,363
Payroll taxes	157,394	147,491
Employee benefits	954,669	868,935
Supplies, materials, and postage	109,808	97,378
Contracted Labor and maintenance	271,201	294,959
Professional services	1,339,334	1,152,291
Airline affairs	29,887	58,277
Travel and transportation	66,426	54,454
Communications	24,677	23,787
Dues and subscriptions	33,269	36,464
Insurance	625,047	640,751
Other, including write-offs	19,288	5,905
Total general and administrative	5,995,885	5,772,055
Other postemployment benefit expense	2,792,341	3,929,649
Depreciation expense	17,380,122	17,009,560
Total operating expenses	44,219,031	43,605,575
Interest expense	147,015	171,119
Loss on parking asset disposal	—	1,529,953
Series 2017 bond issuance cost expense	—	525,565
Total expenses	$ 44,366,046	45,832,212

See accompanying independent auditors’ report.

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Supplementary Schedule of Expenditures of Federal Awards

Year ended December 31, 2018

Grant program number	CFDA number	Expenditures
U.S. Department of Transportation, Federal Aviation Administration, Airport Improvement Program (Direct programs):		
AIP-3-31-0062-68	20.106	$ 164,030
AIP-3-31-0062-69	20.106	375,084
Total CFDA 20.106 Direct Programs		539,114
Pass-through from State of Nebraska:		
AIP-3-31-0053-10	20.106	15,847
Total CFDA 20.106		554,961
U.S. Department of Justice-Equitable Sharing Program (Direct program)	16.922	2,028
Total Federal Expenditures		$ 556,989

See accompanying independent auditors’ report and notes to supplementary schedule of expenditures of federal awards.

(1) General

The reporting entity for the supplementary schedule of expenditures of federal awards (the Schedule) is the same as that disclosed in note 1 to the basic financial statements. The Schedule presents the activity of all federal awards programs of the Airport Authority of the City of Omaha (the Authority) for the year ended December 31, 2018.

(2) Basis of Accounting

The Schedule is prepared on the same basis of accounting as the financial statements.

The Authority has entered into grant agreements with government agencies on certain construction projects. The Authority recognizes grant revenue as construction progresses on each project and when eligibility requirements are met. The Authority has in process various grants from the U.S. Department of Transportation/Federal Aviation Administration for the funding of Airport Improvement Program.

(3) Relationship to Federal Financial Reports

The amounts reported in the Schedule are the same as amounts used for federal financial reporting.

(4) Subrecipients

The Authority had no subrecipients during the year ended December 31, 2018.

(5) Indirect Costs

The Authority does not charge indirect costs to the federal programs.

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Independent Auditors' 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*

The Board of Directors
Airport Authority of the City of Omaha:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Airport Authority of the City of Omaha (the Authority), which comprise the statement of net position as of December 31, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated April 30, 2019.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Omaha, Nebraska
April 30, 2019

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Airport Authority of the City of Omaha:

Report on Compliance for Each Major Federal Program

We have audited the Airport Authority of the City of Omaha (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Airport Authority of the City of Omaha (the Authority) as of and for the year ended December 31, 2018, and have issued our report thereon dated April 30, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Omaha, Nebraska
April 30, 2019

AIRPORT AUTHORITY OF THE CITY OF OMAHA

Schedule of Findings and Questioned Costs

Year ended December 31, 2018

(1) Summary of Auditors' Results

a. Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**

b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None Reported**

c. Noncompliance material to the financial statements: **No**

d. Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

e. Type of report issued on compliance for major programs: **Unmodified**

f. Audit findings that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance: **No**

g. Major programs:

- CFDA #20.106, U.S. Department of Transportation – Airport Improvement Program

h. Dollar threshold used to distinguish between Type A and Type B programs: **$750,000.**

i. Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None

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Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program and on Internal Control over Compliance; and Report on Schedule of Passenger Facility Charges Collected and Expended Required by the *Passenger Facility Charge Audit Guide for Public Agencies*

The Board of Directors
Airport Authority of City of Omaha:

Report on Compliance for the Passenger Facility Charge Program

We have audited the Airport Authority of the City of Omaha's (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on the Airport's Passenger Facility Charge (PFC) Program for the year ended December 31, 2018.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions applicable to its PFC Program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's PFC Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the PFC Program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Airport's PFC Program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC Program for the year ended December 31, 2018.

KPMG

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC Program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the PFC 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 PFC 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 PFC Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Passenger Facility Charges Collected and Expended

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2018, and have issued our report thereon dated April 30, 2019, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Passenger Facility Charges Collected and Expended is presented for purposes of additional analysis as required by the Guide, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charges Collected and Expended is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Omaha, Nebraska
April 30, 2019

AIRPORT AUTHORITY OF CITY OF OMAHA

Schedule of Passenger Facility Charges Collected and Expended

Year ended December 31, 2018

PFC Project Number	Project description		Project authorized amount as of December 31, 2018		PFC funds expended fiscal year 2018
PFC 01.001	Main Terminal Expansion & Renovation	$	1,560,000		—
PFC 01.002	Main Terminal Central Plant Utility and North Concourse		4,200,000		—
PFC 01.003	Terminal Ramp Reconstruction		13,376,000		—
PFC 01.004	Taxiway Extension, Reconstruction and Relocation		5,634,826		—
PFC 01.005	Reconstruct Runway 14R/32L and Intersection		4,306,222		—
PFC 01.006	Relocate Terminal Ramp Access Taxiways		3,982,557		—
PFC 01.007	Runway 18/36 South Reconstruction		3,524,308		—
PFC 01.008	Taxiway A Reconstruction		3,493,526		—
PFC 01.009	Taxiway G Reconstruction		2,860,706		—
PFC 01.010	PFC Consulting Services		75,000		67,745
	Total All PFC Applications	$	43,013,145		67,745
	PFC Funds Expended by Quarter:				
	First Quarter Fiscal Year 2018			$	—
	Second Quarter Fiscal Year 2018				—
	Third Quarter Fiscal Year 2018				67,745
	Fourth Quarter Fiscal Year 2018				—
	Total PFC Expenditures			$	67,745
	PFC Funds Collected:				
	Cumulative Collections Prior to Fiscal Year 2018			$	—
	Cumulative Earnings on Collections Prior to Fiscal Year 2018				—
	Fiscal Year 2018 Collections from Air Carriers				8,531,250
	Fiscal Year 2018 Earnings on Collections				5,633
	Total PFC Revenue			$	8,536,883

See accompanying notes to schedule of passenger facility charges collected and expended, and independent auditors’ report.

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Notes to Schedule of Passenger Facility Charges Collected and Expended

Year ended December 31, 2018

(1) Description of the Program

Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, enacted on November 5, 1990, authorized the Secretary of Transportation, further delegated to the Federal Aviation Administration (FAA) administrator, to approve the local imposition of an airport passenger facility charge (PFC) of $1, $2, or $3 per enplaned passenger for use on certain airport projects. On May 29, 1991, the FAA issued Part 158 of the Federal Aviation Regulations outlining policies and procedures for the PFC Program. Under Part 158, public agencies controlling commercial service airports can apply to the FAA for authority to impose a PFC for use on eligible projects. On May 30, 2000, the FAA issued a revision to Part 158 that increased the maximum PFC level to $4 or $4.50. The change also incorporated additional criteria for the approval of higher PFC levels. Airport Authority of the City of Omaha (the Authority), has been authorized by the FAA to impose and use a $4.50 passenger charge, which is estimated to expire September 1, 2023.

PFC's collected are deposited and separately held in a restricted account, along with interest earned on such funds. PFC Funds expended shown in the schedule of passenger facility charges collected and expended (the Schedule) represent those amounts transferred from the restricted account to reimburse the Airport for the PFC qualified portion of amounts expended on eligible projects.

(2) Basis of Accounting and Relationship to Quarterly Reports

The accompanying Schedule and the PFC quarterly report of funds collected and expended are prepared on the cash basis of accounting, wherein PFC funds collected are recorded when received and PFC funds expended are recorded upon designation as PFC eligible expenditures, except as reduced for subsequent alternate sources of funding.

(3) PFC Project Numbers

The accompanying Schedule presents only those projects approved by the FAA. Any sequential PFC project number that is not presented on the Schedule represents a proposed PFC project that was not approved by the FAA.