

West Haymarket Joint Public Agency

(A Component Unit of the City of Lincoln, Nebraska)
Independent Auditor's Reports and Financial Statements

August 31, 2020

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
August 31, 2020

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Independent Auditor's Report

Board of Representatives
West Haymarket Joint Public Agency
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Haymarket Joint Public Agency (the Agency), a component unit of the City of Lincoln, Nebraska, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the West Haymarket Joint Public Agency as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 14, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control over financial reporting and compliance.

BKD, LLP

Lincoln, Nebraska
January 14, 2021

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
August 31, 2020

As management of the West Haymarket Joint Public Agency (the Agency), we offer readers of the Agency's basic financial statements this narrative and analysis of the financial activities of the Agency as of and for the year ended August 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

The West Haymarket Joint Public Agency was organized as a joint public agency on April 2, 2010, created by a Joint Public Agency Agreement entered into between the City of Lincoln, Nebraska and the Board of Regents of the University of Nebraska. The Agency is a component unit of the City of Lincoln, Nebraska.

Overview of Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Agency's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow changes only in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Agency maintains one governmental fund – the West Haymarket JPA Fund.

The Agency is not required by the Nebraska State Budget Act to adopt an annual budget, therefore, a budgetary comparison has not been provided in the basic financial statements.

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Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. In the case of the West Haymarket Joint Public Agency, as of August 31, 2020, net position was (\$9,987,060). The Agency's condensed financial information as of August 31, 2020 and 2019 is found below.

Condensed Statements of Net Position

	2020	2019
Assets		
Equity in pooled cash and investments	\$ 34,756,958	\$ 38,233,935
Other current assets	12,066,004	12,995,062
Capital assets, net of accumulated depreciation	277,022,713	291,877,619
Total assets	323,845,675	343,106,616
Deferred Outflows of Resources		
Deferred loss on refunding	501,093	-
Total deferred outflows of resources	501,093	-
Liabilities		
Unearned revenue	6,259,749	8,091,138
Other liabilities	3,933,053	4,674,268
Long-term liabilities	324,141,026	330,287,732
Total liabilities	334,333,828	343,053,138
Net Position		
Net investment in capital assets	(45,562,010)	(37,369,127)
Restricted by enabling legislation	1,381,497	1,728,421
Unrestricted	34,193,453	35,694,184
Total net position	\$ (9,987,060)	\$ 53,478

Total assets decreased approximately \$20 million from 2019 to 2020. Equity in pooled cash and investments decreased by approximately \$3 million. Net capital assets decreased approximately \$15 million primarily from depreciation on those assets and net capital asset disposals totaling approximately \$10.5 million. Total liabilities decreased approximately \$9 million from 2019 to 2020. Unearned revenue showed a decrease of approximately \$2 million from 2019 to 2020 and scheduled principal payments of \$605,000 were made on the Agency's long-term bonds payable.

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Government-Wide Financial Analysis - Continued

Condensed Statements of Activities

	2020	2019
Revenues		
Occupation taxes	\$ 15,135,456	\$ 17,698,974
Intergovernmental	3,680,972	3,660,898
Parking facility revenue	2,279,962	2,835,866
Suite and premium seating revenue	2,469,108	2,455,378
Investment income	855,274	1,353,137
Sale (disposal) of assets	(7,343,736)	521,758
Other program revenues	3,501,664	3,487,783
Total revenues	20,578,700	32,013,794
Expenses		
General government	9,224,116	8,050,176
Culture and recreation	5,290,573	9,416,213
Debt service	15,678,126	16,183,391
Capital outlay	4,227	24,037
Total expenses	30,197,042	33,673,817
Transfers (To)/From City of Lincoln, net	(422,196)	(144,530)
Change in Net Position	(10,040,538)	(1,804,553)
Net Position, Beginning of Year	53,478	1,858,031
Net Position, End of Year	\$ (9,987,060)	\$ 53,478

Pinnacle Bank Arena, constructed by the Agency within the West Haymarket area, officially opened in September 2013. Thus, 2020 represents the seventh full year of activity for the Agency, while Pinnacle Bank Arena has been in operation. Total revenues decreased approximately \$12 million from 2019 to 2020, primarily attributed to decreases in occupation taxes, parking facility revenue, investment income, and sale of assets. The Agency received less revenue related to occupation taxes and parking facility revenue in 2020 primarily due to the effects of the COVID-19 pandemic.

Total expenses decreased approximately \$3.5 million from 2019 to 2020, which results from a corresponding decrease in culture and recreation expenses in 2020. Culture and recreation expenses decreased from 2019 to 2020 as a result of land being transferred to the Lincoln Parks Foundation for future park development in 2019.

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Occupation Taxes

Beginning January 1, 2011, occupation taxes were imposed within the City of Lincoln at a rate of 2% on bar and restaurant revenues and a rate of 4% on car rental and hotel revenues. This tax revenue is generated to finance the activities of the Agency and is pledged to repayment of any outstanding Agency bonds. Occupation tax revenue decreased by 14.5% in 2020 compared to 2019. This is primarily a result of the COVID-19 pandemic. The Agency expects, in a normal year, for occupation tax revenue to continue growing by 2% annually.

Capital Assets

The Agency's investment in capital assets as of August 31, 2020 amounts to \$277,022,713. Additional information on the Agency's capital assets can be found in the notes to the financial statements.

Debt Administration

At August 31, 2020, the Agency had total bonded debt outstanding of \$324,795,000, which was used to fund a portion of the Agency's construction costs. During November 2019, the Agency issued \$100,000,000 of General Obligation Facility Refunding Bonds. The bond proceeds, together with other Agency funds were used to provide for the payment of the principal and interest on the \$100,000,000 outstanding General Obligation Facility Bonds, Series 2011, through the redemption date of December 15, 2021. Additional information on the Agency's debt can be found in the notes to the financial statements.

Financial Analysis of the Agency's Funds

The Agency has one governmental fund, the West Haymarket JPA Fund. The West Haymarket JPA Fund is considered a major fund and is used to account for the Agency's general operations, construction, and debt activities. Activity during the year ended August 31, 2020, resulted in a decrease in fund balance of \$2,304,059, resulting in a total fund balance at August 31, 2020 of \$38,574,567. The fund balance is a result of the issuance of bonds in prior years, occupation tax and donation revenue, less the Agency's expenditures for construction, debt service and general operations.

Economic Outlook and Subsequent Events that Will Affect the Future

COVID-19 is a respiratory disease caused by a novel coronavirus that has not previously been seen in humans. On March 13, 2020, the Governor of the State of Nebraska declared a state of emergency to support the State's response to the outbreak of the virus.

The virus and the resulting actions by national, state and local governments is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies. These limitations that have been put in place through the emergency have adversely impacted the West Haymarket Joint Public Agency revenues. Through this pandemic, there have been decreases in occupation taxes, premium seating revenues, and parking revenues.

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Economic Outlook and Subsequent Events that Will Affect the Future - Continued

In setting its budget for fiscal 2021, the WHJPA reduced estimated occupation tax collection by approximately 6% from the prior year actuals in response to the pandemic and have deferred large purchases and worked to minimize staff at the Pinnacle Bank Arena. The negative impacts of the pandemic on the economy will result in reduced revenue collections for the 2021 fiscal year and potentially moving forward but it is difficult to estimate these effects at a time with rapid economic changes associated with the pandemic.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lincoln Finance Department, 555 South 10th Street, Lincoln, NE 68508.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Governmental Fund Balance Sheet/Statement of Net Position
August 31, 2020

	West Haymarket JPA Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash	\$ 28,620	\$ -	\$ 28,620
Equity in pooled cash and investments	34,756,958	-	34,756,958
Investments	7,055,866	-	7,055,866
Occupation taxes receivable	1,381,497	-	1,381,497
Accounts receivable	903,308	-	903,308
Interest receivable	187,753	-	187,753
Due from other governments	766,242	-	766,242
Prepaid expenses	3,953	-	3,953
Assets held for resale	1,738,765	-	1,738,765
Capital assets, net of accumulated depreciation of \$36,632,910	-	277,022,713	277,022,713
Total assets	<u>46,822,962</u>	<u>277,022,713</u>	<u>323,845,675</u>
Deferred Outflows of Resources			
Deferred loss on refunding	-	501,093	501,093
Liabilities			
Accounts payable	591,849	-	591,849
Interest payable	-	3,007,288	3,007,288
Due to other City funds	117,598	-	117,598
Due to other governments	33,318	-	33,318
Security deposits	183,000	-	183,000
Unearned revenue	6,259,749	-	6,259,749
Long-term liabilities			
Payable within one year	-	5,510,000	5,510,000
Payable in more than one year	-	318,631,026	318,631,026
Total liabilities	<u>7,185,514</u>	<u>327,148,314</u>	<u>334,333,828</u>
Deferred Inflows of Resources			
Unavailable revenues	1,062,881	(1,062,881)	-
Fund Balance/Net Position			
Fund Balance			
Nonspendable	3,953	(3,953)	-
Restricted for capital projects	1,055,211	(1,055,211)	-
Restricted by enabling legislation	1,381,497	(1,381,497)	-
Assigned for debt service	36,133,906	(36,133,906)	-
Total fund balance	<u>38,574,567</u>	<u>(38,574,567)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 46,822,962</u>		
Net Position			
Net investment in capital assets		(45,562,010)	(45,562,010)
Restricted by enabling legislation		1,381,497	1,381,497
Unrestricted		34,193,453	34,193,453
Total net position		<u>\$ (9,987,060)</u>	<u>\$ (9,987,060)</u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Year Ended August 31, 2020

	West Haymarket JPA Fund	Adjustments (Note 1)	Statement of Activities
Expenditures/Expenses			
General government	\$ 9,830,519	\$ (606,403)	\$ 9,224,116
Culture and recreation	-	5,290,573	5,290,573
Debt service	23,289,895	(7,611,769)	15,678,126
Capital outlay	4,227	-	4,227
Total expenditures/expenses	<u>33,124,641</u>	<u>(2,927,599)</u>	<u>30,197,042</u>
Program Revenues			
Naming rights and sponsorship revenue	1,210,377	106,658	1,317,035
Suite and premium seating revenue	2,469,108	-	2,469,108
Parking facility revenue	2,279,962	-	2,279,962
Charges for services	1,757,806	-	1,757,806
Facility lease and other rent revenue	426,823	-	426,823
Total program revenues	<u>8,144,076</u>	<u>106,658</u>	<u>8,250,734</u>
General Revenues			
Occupation taxes	15,135,456	-	15,135,456
Intergovernmental	3,680,972	-	3,680,972
Investment income	855,274	-	855,274
Sale (disposal) of assets	2,827,000	(10,170,736)	(7,343,736)
Total general revenues	<u>22,498,702</u>	<u>(10,170,736)</u>	<u>12,327,966</u>
Other Financing Sources (Uses)			
Issuance of refunding debt	100,000,000	(100,000,000)	-
Premium on refunding debt issued	121,926	(121,926)	-
Transfer to bond refunding agent	(99,521,926)	99,521,926	-
Transfers from City of Lincoln	378,000	-	378,000
Transfers to City of Lincoln	(800,196)	-	(800,196)
Total other financing sources (uses)	<u>177,804</u>	<u>(600,000)</u>	<u>(422,196)</u>
Revenues in excess of expenditures and other financing sources (uses)	(2,304,059)	2,304,059	-
Change in Net Position	-	(10,040,538)	(10,040,538)
Fund Balance/Net Position			
Beginning of Year	<u>40,878,626</u>	<u>(40,825,148)</u>	<u>53,478</u>
End of Year	<u>\$ 38,574,567</u>	<u>\$ (48,561,627)</u>	<u>\$ (9,987,060)</u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

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

Nature of Operations

The West Haymarket Joint Public Agency (the Agency) was organized as a joint public agency under the Nebraska Joint Public Agency Act on April 2, 2010, to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing of public facilities including, but not limited to, a sports/entertainment arena, roads, streets, sidewalks, a pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively considered the West Haymarket Development Project or Project) for the benefit of residents of the City of Lincoln, Nebraska (the City). The Agency was created pursuant to a Joint Public Agency Agreement entered into between the City and the Board of Regents of the University of Nebraska.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of the Agency. The Agency follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations, and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Agency is not financially accountable for any other organization. Under current GASB pronouncements, the Agency has been determined to be a component unit of the City of Lincoln, Nebraska – the primary government. As such, the Agency's financial results are included in the City of Lincoln, Nebraska's Comprehensive Annual Financial Report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the Agency's financial activities. Governmental activities are normally supported by taxes and intergovernmental revenue which are reported as general revenues.

West Haymarket Joint Public Agency
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Notes to Financial Statements
August 31, 2020

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The government-wide financial statements are presented using the total economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, the operating statement presents increases and decreases in current assets, net of liabilities, and unassigned fund balance is a measure of available spendable resources. This means that only current liabilities are generally included on the governmental fund balance sheet.

The statement of net position does not equal the governmental funds balance sheet at August 31, 2020, due to net capital assets, a deferred loss on refunding, unavailable revenues and bond principal and interest that are not payable from available spendable resources in the statement of net position.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined; available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred and is expected to be paid from available spendable resources.

Occupation taxes and intergovernmental revenues are considered to be susceptible to accrual and are recorded as revenue in the period to which they relate.

Fund Accounting

The accounts of the Agency are organized on the basis of funds. The operations of the West Haymarket JPA Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures. Resources are allocated to and accounted for in the West Haymarket JPA Fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major fund presented in the accompanying basic financial statements is the West Haymarket JPA Fund. The West Haymarket JPA Fund is the Agency's only fund and is used to account for general government operational activities.

West Haymarket Joint Public Agency
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Notes to Financial Statements
August 31, 2020

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

Use of Estimates

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

Deposits and Investments

The Agency participates in a cash management pool managed by the City. The pool consists of bank deposits and investments. Cash balances in excess of current requirements are invested along with cash from other City funds and interest earned on these investments is allocated monthly to the various funds by the City Treasurer on a pro rata basis of using aggregate quarterly balances. The Agency's interest in the pool is shown as equity in pooled cash and investments in the statement of net position. Fair value of the equity in the pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

The Agency may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council and City Investment Policy in effect on the date the investment is made. The Agency's investments in Tax Increment Financing investments are valued using discounted cash flow techniques.

Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value.

Occupation Taxes

Beginning January 1, 2011, occupation taxes were imposed within the City of Lincoln at a rate of 2% on bar and restaurant revenues and a rate of 4% on car rental and hotel revenues. As stated in the related ordinance, occupation taxes, less any administrative expenses, shall be used to fund expenditures of the Agency.

Capital Assets

Arena and infrastructure planning, design and construction costs are capitalized on the government-wide financial statements. At August 31, 2020, certain arena and infrastructure assets were in-service, and are being depreciated on a straight-line basis over their estimated useful lives of 25-50 years.

West Haymarket Joint Public Agency
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Notes to Financial Statements
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Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Unearned Revenue

Unearned revenue is primarily comprised of advance payments received for various arena suites, loge boxes and club seats, the arena naming rights and prepaid parking. Revenue for these agreements will be recognized when the term of the related agreements commence on September 1, 2020.

Fund Balance Classification

Fund balances are shown only in the governmental fund financial statements. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*, fund balance is required to be classified into four components – nonspendable, restricted, committed and/or assigned. These classifications are defined as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted - includes fund balance amounts that are constrained for specific purposes as stipulated by constitution; external resource providers, such as donors or creditors; or through enabling legislation.

Committed - includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority.

Assigned - includes fund balance amounts that are not classified as either nonspendable, restricted, or committed.

When expenditures are incurred for purposes for which amounts in more than one category of fund balance are available for use, it is the Agency's policy to use the restricted amounts first, followed by the committed and assigned amounts.

Net Position Classification

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

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

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

Net Position Classification - Continued

Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets, if any, or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.

Unrestricted - consists of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the net investment in capital assets or restricted components of net position.

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

Adjustments Column

The adjustments column on the governmental fund balance sheet/statement of net position represents the recording of certain assets and liabilities as required by GASB Statement No. 34.

The adjustments column on the governmental fund balance sheet/statement of net position is comprised of the following as of August 31, 2020:

Amounts reported for the West Haymarket JPA Fund are different from the statement of net position because of

Capital assets, net of accumulated depreciation	\$ 277,022,713
Interest payable	(3,007,288)
Unavailable revenue	1,062,881
Deferred loss on refunding	501,093
Long-term liabilities	<u>(324,141,026)</u>
Total adjustment amount	<u><u>\$ (48,561,627)</u></u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

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

Adjustments Column - Continued

The adjustments column on the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities is comprised of the following for the year ended August 31, 2020:

Amounts reported for the West Haymarket JPA Fund are different from the statement of activities because of

Capital outlay - general government	\$ 667,142
Sale (disposal) and exchange of capital asset	(10,170,736)
Depreciation expense	(5,351,312)
Debt service	7,611,769
Issuance of refunding debt	(100,000,000)
Premium on refunding debt issued	(121,926)
Transfer to bond refunding agent	99,521,926
Change in unavailable revenue	<u>106,658</u>
Total adjustment amount	<u><u>\$ (7,736,479)</u></u>

Note 2: Deposits, Investments and Investment Return

Deposits

State statutes require banks either to provide a bond or to pledge government securities to the City Treasurer in the amount of the City's deposits. The Agency has been allocated a portion of the City's pooled cash and investments. The City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial credit risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Investments

The Agency generally follows the investment policy adopted by the City Council and utilized by the City Treasurer. The Agency may legally invest in U.S. government securities and agencies, U.S. government sponsored agencies, and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, bankers' acceptances and investment agreements.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 2: Deposits, Investments and Investment Return - Continued

At August 31, 2020, the Agency had the following investments, maturities and credit ratings:

Type	Fair Value	Maturities (in Years)		Credit Ratings Moody's/ S&P
		5 to 10	More than 10	
Tax Increment Financing Investments	\$ 7,055,866	\$ 3,008,681	\$ 4,047,185	Not rated

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investment securities that are in the possession of an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits current operating funds to be invested with maturities of no longer than twenty-four months. Fixed income investments held in construction funds, operating funds, and other nonoperating funds are limited to ten-year maturities. Tax Increment Financing investments are allowed to exceed 10 years as the interest rates are guaranteed by the fund and the investment is made within the City's funds.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy establishes requirements for certain investment securities to be rated at certain rates or higher without having collateral pledged to the City. The following investment types must be rated at the minimum rates noted below:

	S & P	Moody's
Money Markets	AAm	---
Corporate Notes	AA-	Aa3
Investment Agreements	AA-	Aa3
Commercial Paper	A-1	P-1
Bankers' Acceptance	A-1	P-1
Local Government Debt	AA	Aa

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 2: Deposits, Investments and Investment Return - Continued

Concentration of Credit Risk

Concentration of credit risk is the risk associated with the amount of investments the Agency has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. At August 31, 2020, the Agency's investments were comprised entirely of Tax Increment Financing investments.

Summary of Carrying Values

The carrying values of deposits and investments are as follows:

Cash	\$ 28,620
Investments	7,055,866
Equity in pooled cash and investments	<u>34,756,958</u>
	<u><u>\$ 41,841,444</u></u>

Investment Income

Investment income, consisting of interest income and fair market value adjustments, was \$855,274 for the year ended August 31, 2020.

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investments

The only investments held by the Agency at August 31, 2020 are Tax Increment Financing investments, which are valued by the Agency on a recurring basis using discounted cash flow techniques, and are classified within Level 2 of the fair value hierarchy at August 31, 2020.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 4: Capital Assets

As of August 31, 2020, the Agency's capital assets consisted of the following:

Depreciable assets, net of depreciation	
Buildings and improvements	\$ 217,890,402
Machinery and equipment	<u>422,800</u>
Total depreciable assets, net of depreciation	<u>218,313,202</u>
Nondepreciable assets	
Land	<u>58,709,511</u>
Total capital assets, net	<u><u>\$ 277,022,713</u></u>

Capital asset activity for 2020 was:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Buildings and improvements	\$ 253,951,675	\$ 578,326	\$ (107,160)	\$ -	\$ 254,422,841
Land	68,880,247	264,500	(10,435,236)	-	58,709,511
Machinery and equipment	<u>434,455</u>	<u>88,816</u>	<u>-</u>	<u>-</u>	<u>523,271</u>
Total capital assets	323,266,377	931,642	(10,542,396)	-	313,655,623
Less accumulated depreciation	<u>(31,388,758)</u>	<u>(5,351,312)</u>	<u>107,160</u>	<u>-</u>	<u>(36,632,910)</u>
Capital assets, net	<u><u>\$ 291,877,619</u></u>	<u><u>\$ (4,419,670)</u></u>	<u><u>\$ (10,435,236)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 277,022,713</u></u>

Depreciation was charged to functions/programs as follows:

General government	\$ 60,739
Culture and recreation	<u>5,290,573</u>
Total depreciation expense	<u><u>\$ 5,351,312</u></u>

In January 2019, the Agency's board of representatives approved a Purchase Agreement with a local developer, providing for the sale of certain property within the West Haymarket Development Project area to the developer for approximately \$1,555,000. This Purchase Agreement also contained provisions allowing the Agency to regain title of the property if certain conditions are not satisfied in connection with the developer's future development of the property. Because of these conditions, the Agency has recorded the initial installment payments from this developer, in the amount of approximately \$1,037,000, within unearned revenue on the balance sheet at August 31, 2020.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 5: Long-term Liabilities

Long-term liability activity for 2020 was:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 325,400,000	\$ 100,000,000	\$ 100,605,000	\$ 324,795,000	\$ 5,510,000
Unamortized bond premium	5,876,315	121,926	5,663,632	334,609	-
Unamortized bond discount	(988,583)	-	-	(988,583)	-
Net bonds payable	<u>\$ 330,287,732</u>	<u>\$ 100,121,926</u>	<u>\$ 106,268,632</u>	<u>\$ 324,141,026</u>	<u>\$ 5,510,000</u>

In September 2010, the Agency issued \$100,000,000 in General Obligation Facility Bonds, Taxable Series 2010A. Semi-annual interest payments began in December 2010. Annual principal payments begin in December 2020 at amounts that range from \$2,440,000 to \$5,855,000 with the final maturity in December 2045. The bonds are Build America Bonds and, as such, the Agency has elected to receive a federal subsidy of 35 percent from the United States Department of Treasury (Treasury) for a portion of the interest payable on the bonds. The interest rates on the bonds range from 3.50 to 5.00 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to approximately 3.20 percent.

In December 2010, the Agency issued \$67,965,000 in General Obligation Facility Bonds, Taxable Series 2010B. Semi-annual interest payments began in June 2011. Annual principal payments begin in December 2020 at amounts that range from \$2,440,000 to \$4,650,000 with the final maturity in December 2039. The bonds are direct pay Build America Bonds, with a federal subsidy of 35 percent from the Treasury for a portion of the interest payable on the bonds. The interest rates on the bonds range from 4.00 to 6.00 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to approximately 3.73 percent.

In December 2010, the Agency issued \$32,035,000 in General Obligation Recovery Zone Economic Development Bonds, Taxable Series 2010C. Semi-annual interest payments began in June 2011. Annual principal payments begin in December 2040 at amounts that range from \$4,865,000 to \$5,855,000 with the final maturity in December 2045. The bonds are direct pay General Obligation Recovery Zone Economic Development Bonds, with a federal subsidy of 45 percent from the Treasury for a portion of the interest payable on the bonds. The interest rate on the bonds is 6.75 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to approximately 3.79 percent.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 5: Long-term Liabilities - Continued

In August 2011, the Agency issued \$100,000,000 in General Obligation Facility Bonds, Series 2011. Semi-annual interest payments began in December 2011. Annual principal payments were scheduled to begin in December 2021 at amounts that range from \$3,115,000 to \$6,660,000 with the final maturity in December 2042. The interest rates on the bonds range from 3.50 to 5.00 percent.

In December 2013, the Agency issued \$28,175,000 in General Obligation Facility Bonds, Series 2013. Semi-annual interest payments began in June 2014. Annual principal payments began in December 2014 at amounts that range from \$540,000 to \$1,595,000 with the final maturity in December 2043. The interest rates on the bonds range from 2.00 to 5.00 percent.

In November 2019, the Agency issued \$100,000,000 of General Obligation Facility Refunding Bonds, Taxable Series 2019. The bond proceeds, together with other Agency funds, were used to provide for payment of the principal and interest on the \$100,000,000 outstanding General Obligation Facility Bonds, Series 2011, through the redemption date of December 15, 2021, and to redeem any remaining balance of the Series 2011 bonds on that redemption date. The refunding resulted in debt service savings of approximately \$26,858,000 and net present value savings of approximately \$21,042,000. At August 31, 2020, \$100,000,000 of Series 2011 Bonds remain outstanding.

The Series 2010A, 2010B and 2010C bonds are callable at the option of the Agency in whole or in part at any time. The Series 2011 bonds are callable at the option of the Agency in whole or in part at any time on or after December 15, 2021. The Series 2013 bonds are callable at the option of the Agency in whole or in part at any time on or after December 15, 2023.

All bonds were issued to provide a portion of the funds necessary to pay the costs of constructing, equipping, furnishing, and financing the development of the West Haymarket facilities. The full faith and credit and the taxing powers of the City are pledged for the payment of the principal and interest on the bonds.

West Haymarket Joint Public Agency
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Notes to Financial Statements
August 31, 2020

Note 5: Long-term Liabilities - Continued

Annual requirements to pay principal and interest to maturity on outstanding debt is as follow:

Years Ending August 31	Principal	Interest	Interest Subsidy	Net Interest	Total Debt Service
2021	\$ 5,510,000	\$ 14,329,728	\$ (3,647,763)	\$ 10,681,965	\$ 16,191,965
2022	5,675,000	14,111,363	(3,801,967)	10,309,396	15,984,396
2023	9,750,000	13,816,158	(3,730,836)	10,085,322	19,835,322
2024	9,980,000	13,445,006	(3,654,326)	9,790,680	19,770,680
2025	10,240,000	13,062,694	(3,572,334)	9,490,360	19,730,360
2026-2030	55,460,000	59,062,096	(16,436,695)	42,625,401	98,085,401
2031-2035	64,645,000	47,008,006	(13,530,470)	33,477,536	98,122,536
2036-2040	76,100,000	31,759,492	(9,813,716)	21,945,776	98,045,776
2041-2045	75,725,000	12,761,630	(4,627,424)	8,134,206	83,859,206
2046	11,710,000	343,981	(140,154)	203,827	11,913,827
	<u>\$ 324,795,000</u>	<u>\$ 219,700,154</u>	<u>\$ (62,955,685)</u>	<u>\$ 156,744,469</u>	<u>\$ 481,539,469</u>

The Series 2010A, 2010B and 2010C bonds were issued as direct pay Build America Bonds and General Obligation Recovery Zone Economic Development Bonds, respectively, in accordance with the American Recovery and Reinvestment Act of 2009, which allows the Agency to receive a U.S. Treasury subsidy equal to 35% and 45%, respectively, of the amount of interest payable on those bonds. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under section 6341 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. The refund payments processed on or after October 1, 2020 and on or before September 30, 2021 will be reduced by the fiscal year 2021 sequestration rate of 5.7%.

The interest subsidy is reflected in the table above as the Agency expects to receive these payments throughout the term of the related Bonds. Future subsidy payments are contingent on federal regulations and are subject to change. The subsidy is reflected as intergovernmental revenue in the Statement of Activities.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 6: Lease Agreements

West Haymarket Station Lease

In 2012, the Agency entered into a lease agreement with AMTRAK for the lease and use of West Haymarket Station (“Station”). The lease provides for a thirty-five year term, with the Agency receiving monthly payments of \$3,195, adjusted annually for inflation using the Consumer Price Index. Income from the lease totaled approximately \$40,000 during 2020 and is included in facility lease and other rent revenue on the statement of activities. Under the Second Amended and Restated Facilities Agreement (see Note 9), the Agency has contracted with the City for the City to undertake the maintenance, operation, and management of the Station.

Arena Lease and Operating Agreement

The Agency has entered into a Lease and Operating Agreement with the Board of Regents of the University of Nebraska (“UNL”) as of October 2011. The agreement is for the lease of the basketball space and other defined leased improvements within the sports/entertainment arena, for a term of 30 years commencing on September 1, 2013, with the option to extend the term for three additional periods of five years each. Under the terms of the agreement, UNL is to pay an annual lease payment to the Agency, which is initially \$750,000 and is adjusted for inflation on an annual basis beginning September 1, 2014. The agreement also provides for credits against this lease payment for the annual amount of turnback sales tax receipts the City receives from the sale of UNL basketball tickets, and a provision for lost concession revenue in an amount equal to \$300,000, which is adjusted for inflation on an annual basis beginning September 1, 2014. The net rent revenue for fiscal year 2020 was approximately \$329,000.

The Agreement also provides for UNL to receive a portion of the revenues related to certain premium seating arrangements at the Arena, based on seating type. The Agency paid approximately \$339,000 to UNL during 2020 for revenue sharing for premium seating. The suite and premium seating revenues shown in the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities are shown net of amounts owed to UNL under this provision of the Agreement.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 7: Contractual Arrangements

Naming Rights and Premium Seating

The Agency has entered into a Title Sponsorship Agreement with Pinnacle Bank for the exclusive naming rights for the sports/entertainment arena through August 2038. The agreement called for Pinnacle Bank to make annual payments of \$280,000 through fiscal year 2023, when the payments increased to \$563,333 annually. The agreement also provided Pinnacle Bank with the opportunity to pay a discounted amount by making a prepayment to the Agency. Pinnacle Bank has exercised this option and has made prepayments to the Agency totaling approximately \$6,700,000. This amount is included in unearned revenue on the balance sheet at August 31, 2020 and will be recognized as revenue on a pro-rata basis over the remaining term of the agreement.

The Agency has entered into agreements with individuals and businesses for various premium seating arrangements. The agreements require an initial security deposit and annual installments from the individuals and businesses, with the option of prepayment, and have terms ranging between five and ten years. As of August 31, 2020, the Agency has not collected amounts for premium seating arrangements for future years, with approximately \$2,349,000 remaining to be collected for the contract period beginning September 1, 2020.

The Agency's future collections under the premium seating agreements are as follows:

Annual Contract Period Beginning September 1,	
2020	\$ 2,349,127
2021	2,355,537
2022	2,376,370
2023	132,176
2024	86,485
Thereafter	169,621
	\$ 7,469,316

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 7: Contractual Arrangements - Continued

Advertising and Sponsorship Agreement

The Agency has entered into an agreement with IMG College, LLC (“IMG”) which grants IMG the exclusive advertising and sponsorship rights at the sports/entertainment arena, for the period of September 1, 2013 through June 30, 2021. The agreement requires IMG to make guaranteed annual payments to the Agency, and 50% of any gross collected cash revenue in excess of the revenue sharing threshold, as outlined in the agreement. One payment totaling \$563,081 was received from IMG for the fiscal year ended August 31, 2020, and additional payments totaling \$373,507 were included in accounts receivable as of August 31, 2020. The contracted schedule of remaining guaranteed annual payments and the revenue sharing threshold is shown below:

Annual Contract Period Beginning September 1,	Guaranteed Rights Fee	Revenue Sharing Threshold
2020	\$ 1,148,686	\$ 2,052,325

Note 8: Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Agency carries commercial insurance for risks of loss, including liability, property, pollution, errors and omissions, and workers’ compensation. The Agency has had no claims or judgments exceeding the policy limits.

Note 9: Related Party Transactions

City of Lincoln (City)

The City provides certain administrative services to the Agency for which the Agency pays fees to the City. These fees amounted to approximately \$920,000 for the year ended August 31, 2020. These charges are recorded as general government expenses in the statement of governmental fund revenues, expenditures and changes in fund balance and statement of activities.

During 2014, the Agency entered into a second Amended and Restated Facilities Agreement with the City, which clarified the responsibilities for operation and maintenance of certain infrastructure assets within the West Haymarket Development Project. With the exception of certain infrastructure assets, the agreement details that ownership of arena project assets, including the related parking facilities, will remain with the Agency until such time as no associated bonds are outstanding, at which time these assets will be conveyed to the City for the sum of one dollar and other good and valuable consideration.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2020

Note 9: Related Party Transactions - Continued

City of Lincoln (City) - Continued

During 2013, the Agency entered into a Parking Garage Management Agreement with the City for the operation, management and maintenance of three parking garages constructed by the Agency within the West Haymarket Development Project. Under the agreement, the Agency made payments totaling approximately \$1,668,000 during fiscal year 2020 for the operation and maintenance of the Agency's parking garages.

As discussed in Note 1, the Agency is invested in the City of Lincoln, Nebraska's pooled cash and investment management system.

Note 10: Commitments

Environmental Matters

In connection with the West Haymarket Development Project, the Agency is involved with the clean-up and remediation of several development sites relating to soil and groundwater contamination. This clean-up and remediation is performed as sites are developed, as the Agency has not been designated as a potentially responsible party (PRP or equivalent status) by any regulatory agency requiring the immediate clean-up of impacted areas. Although future costs may be incurred, it is not possible at this time to reasonably estimate the amount of any obligation for remediation activities because of uncertainties with respect to assessing the extent of the contamination or the applicable regulatory requirements. No liability has been recorded for potential future remediation activities as of August 31, 2020.

Note 11: COVID-19

As a result of the spread of the SARS-CoV-2 Virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the Agency. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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

Independent Auditor's Report

Board of Representatives
West Haymarket Joint Public Agency
Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the West Haymarket Joint Public Agency (the Agency), a component unit of the City of Lincoln, Nebraska, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Lincoln, Nebraska
January 14, 2021