

West Haymarket Joint Public Agency

(A Component Unit of the City of Lincoln,
Nebraska)

Independent Auditor's Reports And Financial Statements

August 31, 2023



West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
August 31, 2023

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Independent Auditor's Report

Board of Representatives
West Haymarket Joint Public Agency
Lincoln, Nebraska

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the West Haymarket Joint Public Agency, as of August 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, 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.

FORVIS, LLP

Lincoln, Nebraska
December 20, 2023

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
August 31, 2023

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, 2023. 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 deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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.

West Haymarket Joint Public Agency
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Management's Discussion and Analysis
August 31, 2023

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, 2023, net position was \$2,259,474. The Agency's condensed financial information as of August 31, 2023 and 2022 is found below.

Condensed Statements of Net Position

	2023	2022
Assets		
Equity in pooled cash and investments	\$ 45,598,980	\$ 41,459,869
Other assets	10,982,191	11,474,022
Capital assets, net of accumulated depreciation	260,855,994	266,244,900
Total assets	<u>317,437,165</u>	<u>319,178,791</u>
Deferred Outflows of Resources		
Deferred loss on refunding	481,601	501,093
Total deferred outflows of resources	<u>481,601</u>	<u>501,093</u>
Liabilities		
Unearned revenue	7,757,437	7,784,034
Other liabilities	3,903,304	4,009,662
Long-term liabilities	303,258,832	312,993,461
Total liabilities	<u>314,919,573</u>	<u>324,787,157</u>
Deferred Inflows of Resources		
Deferred inflows for leases	739,719	770,756
Total deferred inflows of resources	<u>739,719</u>	<u>770,756</u>
Net Position		
Net investment in capital assets	(40,835,997)	(45,198,237)
Restricted by enabling legislation	2,104,001	1,921,813
Unrestricted	40,991,470	37,398,395
Total net position	<u>\$ 2,259,474</u>	<u>\$ (5,878,029)</u>

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August 31, 2023

Government-Wide Financial Analysis - Continued

Total assets decreased approximately \$1,740,000 from 2022 to 2023. Other current assets decreased by approximately \$500,000 due to a decrease in investments offset by an increase in interest receivable. Net capital assets decreased approximately \$5.4 million primarily from depreciation on those assets. Total liabilities decreased approximately \$9,870,000 from 2022 to 2023 primarily due to scheduled principal payments of \$9,750,000 made on the Agency's long-term bonds payable.

Condensed Statements of Activities

	2023	2022
Revenues		
Occupation taxes	\$ 21,934,450	\$ 20,004,357
Intergovernmental	3,518,178	3,585,254
Parking facility revenue	3,249,400	3,049,351
Suite and premium seating revenue	2,308,981	2,444,564
Investment income (loss)	1,974,371	(16,614)
Other program revenues	4,141,106	3,684,927
Total revenues	<u>37,126,486</u>	<u>32,751,839</u>
Expenses		
General government	10,197,349	7,889,105
Culture and recreation	5,328,167	5,328,167
Debt service	13,775,028	14,085,994
Total expenses	<u>29,300,544</u>	<u>27,303,266</u>
Transfers From City of Lincoln	<u>311,561</u>	<u>-</u>
Change in Net Position	8,137,503	5,448,573
Net Position, Beginning of Year	<u>(5,878,029)</u>	<u>(11,326,602)</u>
Net Position, End of Year	<u>\$ 2,259,474</u>	<u>\$ (5,878,029)</u>

Pinnacle Bank Arena, constructed by the Agency within the West Haymarket area, officially opened in September 2013. Thus, 2023 represents the tenth full year of activity for the Agency, while Pinnacle Bank Arena has been in operation. Total revenues increased approximately \$4,370,000 from 2022 to 2023, primarily attributed to increases in occupation tax revenue and investment income.

Total expenses increased approximately \$2,000,000 million from 2022 to 2023, which primarily results from an increase in general government expenses in 2023. General government expenses increased from 2022 to 2023 primarily as a result of an increase in miscellaneous contractual and other operational expenses due to Pinnacle Bank Arena resuming normal operations in 2023 after the COVID-19 pandemic in prior years and due to the first payment made related to the Lincoln Youth Sports complex grant during 2023.

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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 as repayment of any outstanding Agency bonds. Occupation tax revenue increased by 9.6% in 2023 compared to 2022. This is primarily a result of inflationary factors and continued additional activity as compared to activity levels during 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, 2023 amounts to \$260,855,994. Additional information on the Agency's capital assets can be found in the notes to the financial statements.

Debt Administration

At August 31, 2023, the Agency had total bonded debt outstanding of \$303,860,000, which was used to fund a portion of the Agency's construction costs. 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, 2023, resulted in an increase in fund balance of \$3,933,705, resulting in a total fund balance at August 31, 2023 of \$45,962,928. 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.

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, 2023

	West Haymarket JPA Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash	\$ 6,673	\$ -	\$ 6,673
Equity in pooled cash and investments	45,598,980	-	45,598,980
Investments	4,354,237	-	4,354,237
Occupation taxes receivable	2,104,001	-	2,104,001
Accounts receivable	558,134	-	558,134
Interest receivable	523,579	-	523,579
Lease receivable	752,997	-	752,997
Due from other governments	725,711	-	725,711
Prepaid expenses	218,094	-	218,094
Assets held for resale	1,738,765	-	1,738,765
Capital assets, net of accumulated depreciation of \$52,799,638	-	260,855,994	260,855,994
Total assets	56,581,171	260,855,994	317,437,165
Deferred Outflows of Resources			
Deferred loss on refunding	-	481,601	481,601
Liabilities			
Accounts payable	68,810	-	68,810
Interest payable	-	2,840,898	2,840,898
Due to other City funds	447,514	-	447,514
Due to other governments	362,082	-	362,082
Security deposits	184,000	-	184,000
Unearned revenue	7,757,437	-	7,757,437
Long-term liabilities			
Payable within one year	-	9,980,000	9,980,000
Payable in more than one year	-	293,278,832	293,278,832
Total liabilities	8,819,843	306,099,730	314,919,573
Deferred Inflows of Resources			
Unavailable revenues	1,058,681	(1,058,681)	-
Deferred inflows for leases	739,719	-	739,719
Total deferred inflows of resources	1,798,400	(1,058,681)	739,719
Fund Balance/Net Position			
Fund Balance			
Nonspendable	218,094	(218,094)	-
Restricted for capital projects	1,085,240	(1,085,240)	-
Restricted by enabling legislation	2,104,001	(2,104,001)	-
Assigned for debt service	42,555,593	(42,555,593)	-
Total fund balance	45,962,928	(45,962,928)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 56,581,171		
Net Position			
Net investment in capital assets		(40,835,997)	(40,835,997)
Restricted by enabling legislation		2,104,001	2,104,001
Unrestricted		40,991,470	40,991,470
Total net position		\$ 2,259,474	\$ 2,259,474

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, 2023

	West Haymarket JPA Fund	Adjustments (Note 1)	Statement of Activities
Expenditures/Expenses			
General government	\$ 10,136,610	\$ 60,739	\$ 10,197,349
Culture and recreation	-	5,328,167	5,328,167
Debt service	23,565,562	(9,790,534)	13,775,028
Total expenditures/expenses	<u>33,702,172</u>	<u>(4,401,628)</u>	<u>29,300,544</u>
Program Revenues			
Naming rights and sponsorship revenue	1,629,568	(197,830)	1,431,738
Suite and premium seating revenue	2,308,981	-	2,308,981
Parking facility revenue	3,249,400	-	3,249,400
Charges for services	2,215,133	-	2,215,133
Facility lease and other rent revenue	494,235	-	494,235
Total program revenues	<u>9,897,317</u>	<u>(197,830)</u>	<u>9,699,487</u>
General Revenues			
Occupation taxes	21,934,450	-	21,934,450
Intergovernmental	3,518,178	-	3,518,178
Investment gain	1,974,371	-	1,974,371
Total general revenues	<u>27,426,999</u>	<u>-</u>	<u>27,426,999</u>
Other Financing Sources (Uses)			
Transfers from City of Lincoln	311,561	-	311,561
Total other financing sources (uses)	<u>311,561</u>	<u>-</u>	<u>311,561</u>
Revenues in excess of expenditures	3,933,705	(3,933,705)	-
Change in Net Position	-	8,137,503	8,137,503
Fund Balance/Net Position			
Beginning of Year	42,029,223	(47,907,252)	(5,878,029)
End of Year	<u>\$ 45,962,928</u>	<u>\$ (43,703,454)</u>	<u>\$ 2,259,474</u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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 Annual Comprehensive 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
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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, 2023, 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
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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 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 (loss) 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.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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

Lease Receivable

The Agency is a lessor for a noncancellable lease for the use of station space and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

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

Capital Assets

Arena and infrastructure planning, design and construction costs are capitalized on the government-wide financial statements. At August 31, 2023, 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.

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, 2023.

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.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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

Fund Balance Classification - Continued

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:

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 the Agency's policy to use restricted resources first, then unrestricted as they are needed.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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

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, 2023:

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

Capital assets, net of accumulated depreciation	\$ 260,855,994
Interest payable	(2,840,898)
Unavailable revenue	1,058,681
Deferred loss on refunding	481,601
Long-term liabilities	<u>(303,258,832)</u>
Total adjustment amount	<u><u>\$ (43,703,454)</u></u>

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, 2023:

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

Depreciation expense	\$ (5,388,906)
Debt service	9,790,534
Change in unavailable revenue	<u>(197,830)</u>
Total adjustment amount	<u><u>\$ 4,203,798</u></u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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.

At August 31, 2023, the Agency had the following investments, maturities and credit ratings:

Type	Fair Value	Maturities (in Years)	Credit Ratings
		5 to 10	Moody's/ S&P
Tax Increment Financing Investments	\$ 4,354,237	\$ 4,354,237	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.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 2: Deposits, Investments and Investment Return - Continued

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

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, 2023, the Agency's investments were comprised entirely of Tax Increment Financing investments, which were issued on behalf of two developers.

Summary of Carrying Values

The carrying values of deposits and investments are as follows:

Cash	\$ 6,673
Investments	4,354,237
Equity in pooled cash and investments	45,598,980
	<u>\$ 49,959,890</u>

Investment Income (Loss)

Investment income, consisting of interest income and fair market value adjustments, was \$1,957,945 for the year ended August 31, 2023.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

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, 2023 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, 2023.

Note 4: Capital Assets

As of August 31, 2023, the Agency's capital assets consisted of the following:

Depreciable assets, net of depreciation	
Buildings and improvements	\$ 201,789,920
Machinery and equipment	<u>356,563</u>
Total depreciable assets, net of depreciation	<u>202,146,483</u>
Nondepreciable assets	
Land	<u>58,709,511</u>
Total capital assets, net	<u><u>\$ 260,855,994</u></u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 4: Capital Assets - Continued

Capital asset activity for 2023 was:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Buildings and improvements	\$ 254,422,841	\$ -	\$ -	\$ -	\$ 254,422,841
Land	58,709,511	-	-	-	58,709,511
Machinery and equipment	523,271	-	-	-	523,271
Total capital assets	313,655,623	-	-	-	313,655,623
Less accumulated depreciation	(47,410,723)	(5,388,906)	-	-	(52,799,629)
Capital assets, net	<u>\$ 266,244,900</u>	<u>\$ (5,388,906)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 260,855,994</u>

Depreciation was charged to functions/programs as follows:

General government	\$ 60,739
Culture and recreation	<u>5,328,167</u>
Total depreciation expense	<u>\$ 5,388,906</u>

Note 5: Long-term Liabilities

Long-term liability activity for 2023 was:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 313,610,000	\$ -	\$ 9,750,000	\$ 303,860,000	\$ 9,980,000
Unamortized bond premium	323,588	-	10,660	312,928	-
Unamortized bond discount	(940,127)	-	(26,031)	(914,096)	-
Net bonds payable	<u>\$ 312,993,461</u>	<u>\$ -</u>	<u>\$ 9,734,629</u>	<u>\$ 303,258,832</u>	<u>\$ 9,980,000</u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 5: Long-term Liabilities - Continued

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 began 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 began 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.

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. The Series 2011 Bonds were called and completely redeemed during the year ended August 31, 2022. Annual principal payments began in December 2022 at amounts that range from \$3,890,000 to \$5,935,000 with the final maturity in December 2042. The interest rates on the bonds range from 2.375 to 3.25 percent.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 5: Long-term Liabilities - Continued

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 2013 bonds are callable at the option of the Agency in whole or in part at any time on or after December 15, 2023. The Series 2019 bonds are callable at the option of the Agency in whole or in part at any time on or after December 15, 2029.

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.

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
2024	\$ 9,980,000	\$ 13,445,007	\$ (3,446,029)	\$ 9,998,978	\$ 19,978,978
2025	10,240,000	13,062,695	(3,572,334)	9,490,361	19,730,361
2026	10,485,000	12,670,795	(3,485,332)	9,185,463	19,670,463
2027	10,750,000	12,257,463	(3,391,370)	8,866,093	19,616,093
2028	11,050,000	11,821,476	(3,292,270)	8,529,206	19,579,206
2029-2033	60,715,000	52,162,794	(14,787,344)	37,375,450	98,090,450
2034-2038	71,285,000	38,278,087	(11,401,626)	26,876,461	98,161,461
2039-2043	83,930,000	20,676,921	(6,954,622)	13,722,299	97,652,299
2044-2046	35,425,000	3,067,682	(1,235,295)	1,832,387	37,257,387
	<u>\$ 303,860,000</u>	<u>\$ 177,442,920</u>	<u>\$ (51,566,222)</u>	<u>\$ 125,876,698</u>	<u>\$ 429,736,698</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, 2030 will be reduced by 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
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Notes to Financial Statements
August 31, 2023

Note 6: Leases

Lease Receivable – West Haymarket Station Lease

The Agency leases a portion of its property to a third party, the terms of which expire through 2047. Payments increase annually for inflation utilizing the Consumer Price Index for all Urban Consumers (CPI-U), as stated in the agreement. Revenue recognized under this lease contract totaled approximately \$48,000 for the year ended August 31, 2023, which includes both lease revenue and interest. This revenue is included within facility lease and other rent revenue on the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities.

Below is a schedule of future payments that are included in the measurement of the lease receivable:

Year Ending August 31,	Principal	Interest	Total
2024	\$ 24,456	\$ 15,949	\$ 40,405
2025	24,987	15,418	56,354
2026	25,529	14,876	40,405
2027	26,083	14,321	40,404
2028	26,650	13,755	40,405
2029-2033	142,184	59,841	202,024
2034-2038	158,306	43,719	202,025
2039-2043	176,255	25,769	202,024
2044-2048	148,547	6,338	154,885
	<u>\$ 752,997</u>	<u>\$ 209,986</u>	<u>\$ 978,931</u>

Note 7: Arena Lease and Operating Agreement

The City 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 City, who remits these payments 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 2023 was approximately \$417,000. As the credits against the lease payment for the annual amount of turnback sales tax receipts are variable and determined on an annual basis, the Agency is not able to determine the net future payments to be received and a lease receivable is not able to be measured for this agreement.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 7: Arena Lease and Operating Agreement - Continued

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 \$43,000 to UNL during 2023 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.

Note 8: 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 of which approximately \$4,039,000 is included in unearned revenue. This amount is included in unearned revenue on the balance sheet at August 31, 2023 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, 2023, amounts collected by the Agency for premium seating arrangements for future years totaled approximately \$2,105,000, with approximately \$503,000 remaining to be collected for the contract period beginning September 1, 2023.

The Agency will recognize revenues in future periods related to premium seating agreements as follows:

Annual Contract Period Beginning September 1,	
2023	\$ 2,403,968
2024	2,373,077
2025	2,319,904
2026	2,090,598
2027	2,051,104
Thereafter	9,682,476
	\$ 20,921,127

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 8: Contractual Arrangements - Continued

Advertising and Sponsorship Agreement

The Agency had entered into an agreement with IMG College, LLC (“IMG”) which granted 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 was amended for the period of July 1, 2021 through June 30, 2029, and also provided for a one-time contract signing bonus equal to \$1,124,293, to be paid in installments through July 1, 2023. 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.

Payments totaling \$1,328,747 were received from IMG for the fiscal year ended August 31, 2023. The contracted schedule of remaining guaranteed annual payments and the revenue sharing threshold is shown below:

Annual Contract Period Beginning July 1,	Guaranteed Rights Fee	Revenue Sharing Threshold
2023	\$ 1,050,000	\$ 1,650,000
2024	1,050,000	1,650,000
2025	1,100,000	1,750,000
2026	1,100,000	1,750,000
2027	1,150,000	1,850,000
Thereafter	1,150,000	1,850,000

Note 9: 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.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 10: 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 \$1,045,000 for the year ended August 31, 2023. 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.

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 to the City totaling approximately \$1,982,000 during fiscal year 2023 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 11: Commitments

In October 2022, the Agency's board of representatives authorized a grant to the Lincoln Youth Complex in an amount not to exceed \$4,500,000 to reimburse the Lincoln Youth Complex for a portion of its costs to design and construct the Lincoln Youth Complex sports fields. The payments will be made over the course of three years, beginning in April 2023. As of August 31, 2023, the Agency has a remaining commitment of \$3,000,000 related to this grant.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2023

Note 11: Commitments - Continued

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, 2023.



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

Independent Auditor's Report

Board of 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 (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 20, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

FORVIS, LLP

Lincoln, Nebraska
December 20, 2023