




City of Lincoln, Nebraska Solid Waste Management Fund

Independent Auditor's Report and Financial Statements

August 31, 2025



City of Lincoln, Nebraska
Solid Waste Management Fund
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August 31, 2025

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
Solid Waste Management Fund
City of Lincoln, Nebraska

Opinion

We have audited the financial statements of the Solid Waste Management Fund of the City of Lincoln, Nebraska (Solid Waste Management Fund), as of and for the year ended August 31, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Management Fund as of August 31, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Solid Waste Management Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Solid Waste Management Fund and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Solid Waste Management Fund adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 Solid Waste Management Fund'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.

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 and other postemployment benefit information as listed in the table of contents 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.

Forvis Mazars, LLP

**Lincoln, Nebraska
April 17, 2026**

City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2025

This discussion and analysis of the Solid Waste Management Fund of the City of Lincoln, Nebraska's (the Fund) financial statements provides the reader an overview of the Fund's financial activities for 2025 and 2024. The Solid Waste Management Fund's financial statements are comprised of three components: (1) Management's Discussion and Analysis, (2) financial statements, and (3) notes to the financial statements. Please read this in conjunction with the audited financial statements and footnotes contained herein.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about the Solid Waste Management Fund's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of the Solid Waste Management Fund based on currently known facts, decisions or conditions.

Statement of Net Position – provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Solid Waste Management Fund, as of the Fund's fiscal year end. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position – presents the operating results of the Solid Waste Management Fund into various categories of operating revenues and expenses, and non-operating revenues and expenses.

Statement of Cash Flows – reports the cash provided by and used for operating activities, as well as other cash sources such as interest income.

The financial statements are designed to provide readers with a broad overview of the Solid Waste Management Fund's finances in a manner similar to a private-sector business.

Notes to Financial Statements

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

Financial Analysis

The Solid Waste Management Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* (GASB 101), as of September 1, 2024, the earliest period presented in the financial statements. The 2024 information presented has not been adjusted for GASB 101.

**City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2025**

As noted earlier, net position may serve over time as a useful indicator of the Fund's financial position. In the case of the Solid Waste Management Fund, as of August 31, 2025, net position was \$3,407,167. The Fund's condensed financial information as of and for the years ended August 31, 2025 and 2024 is found below.

**Condensed Statements of Net Position
As of August 31,**

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets	\$ 14,031,676	\$ 11,597,433
Capital assets, net	34,992,290	34,146,770
Other noncurrent assets	4,143,152	3,498,041
Total Assets	53,167,118	49,242,244
DEFERRED OUTFLOWS OF RESOURCES	<u>35,004</u>	<u>38,306</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 53,202,122</u>	<u>\$ 49,280,550</u>
LIABILITIES		
Current liabilities	\$ 2,642,058	\$ 1,842,804
Noncurrent liabilities	47,058,291	45,001,152
Total Liabilities	<u>49,700,349</u>	<u>46,843,956</u>
DEFERRED INFLOWS OF RESOURCES	<u>94,606</u>	<u>107,508</u>
NET POSITION		
Net investment in capital assets	30,222,865	28,956,653
Restricted for capital projects	232,834	182,208
Unrestricted	<u>(27,048,532)</u>	<u>(26,809,775)</u>
Total Net Position	<u>3,407,167</u>	<u>2,329,086</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 53,202,122</u>	<u>\$ 49,280,550</u>

Total assets increased from 2024 to 2025 due to an increase in the Fund's share of pooled cash and investments and increases in capital asset purchases, offset by annual depreciation. Noncurrent liabilities increased from 2024 to 2025 due to an increase in total accrued estimated closure/post-closure costs.

City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2025

Condensed Statements of Revenues, Expenses, and Change in Net Position
For the Years Ended August 31,

	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 12,867,705	\$ 11,171,161
Operating expenses	<u>17,201,725</u>	<u>15,668,548</u>
Operating loss	(4,334,020)	(4,497,387)
Net nonoperating revenues	<u>6,334,432</u>	<u>7,170,377</u>
Excess of revenues over expenses before contributions and transfers	2,000,412	2,672,990
Capital contributions	549,875	196,870
Transfers, net	<u>(1,284,933)</u>	<u>(1,557,851)</u>
Change in net position	1,265,354	1,312,009
Net position, beginning of year, as previously reported	<u>2,329,086</u>	<u>1,017,077</u>
Restatement	(187,273)	-
Net position, beginning of year, as restated	<u>2,141,813</u>	<u>1,017,077</u>
Net position, end of year	<u>\$ 3,407,167</u>	<u>\$ 2,329,086</u>

Operating revenues increased from 2024 to 2025, primarily as a result of increases in the landfill rates by type of waste.

Effective January 1, 2026, the landfill occupation tax fee, per ton, will be increased from \$19.85 to \$20.80.

Solid Waste Management Fund
Condensed Statements of Cash Flows
For the Years Ended August 31,

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities	\$ 1,560,499	\$ 946,382
Cash flows from noncapital financing activities	3,982,976	4,732,288
Cash flows from capital and related financing activities	(3,323,196)	(5,564,172)
Cash flows from investing activities	<u>(653,809)</u>	<u>(309,953)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 1,566,470</u>	<u>\$ (195,455)</u>

**City of Lincoln, Nebraska
Solid Waste Management Fund
Management’s Discussion and Analysis
August 31, 2025**

Capital Assets

The Solid Waste Management Fund's investment in capital assets as of August 31, 2025 and 2024, amounted to \$34,992,290 and \$34,146,770, respectively. Capital asset balances as of August 31, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Capital assets not being depreciated	\$ 5,237,175	\$ 3,929,033
Capital assets being depreciated	77,073,098	74,615,645
Accumulated depreciation	<u>(47,317,983)</u>	<u>(44,397,908)</u>
Net capital assets	<u>\$ 34,992,290</u>	<u>\$ 34,146,770</u>

Additional information on the Solid Waste Management Fund’s capital assets can be found in the notes to the financial statements.

Debt Administration

At August 31, 2025 and 2024, the Solid Waste Management Fund had total bonded debt outstanding of \$4,975,000 and \$5,620,000, respectively. Decreases in the balance of debt outstanding is a result of scheduled debt service payments of \$645,000 and \$620,000 during 2025 and 2024, respectively. Additional information on the Solid Waste Management Fund’s debt can be found in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Fund’s finances for all those with an interest in the Solid Waste Management Fund. 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.

City of Lincoln, Nebraska
Solid Waste Management Fund
Statement of Net Position
August 31, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$ 871,275
Equity in pooled investments	10,508,742
Accounts receivable	2,412,729
Due from other City funds	217,905
Due from other governments	21,025

Total Current Assets 14,031,676

Noncurrent Assets

Equity in pooled cash and investments	<u>880,854</u>
Restricted assets	
Cash and cash equivalents	310,627
Equity in pooled cash and investments, including cash and cash equivalents of \$1,606,234	2,788,725
Accrued interest receivable	162,946

Total Restricted Assets 3,262,298

Capital Assets, Net 34,992,290

Total Noncurrent Assets 39,135,442

Total Assets 53,167,118

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for OPEB	<u>35,004</u>
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LIABILITIES

Current Liabilities

Accounts payable	1,556,957
Accrued liabilities	138,938
Accrued compensated absences	250,383
Due to other City funds	4,812
Due to other governments	57
Accrued interest payable	13,451
Current portion of total OPEB liability	7,460
Current portion of long-term debt	670,000

Total Current Liabilities 2,642,058

Noncurrent Liabilities

Accrued closure/post-closure care costs	41,938,059
Long-term debt, net	4,590,430
Total OPEB liability, net	169,187
Accrued compensated absences, net	360,615

Total Noncurrent Liabilities 47,058,291

Total Liabilities 49,700,349

DEFERRED INFLOWS OF RESOURCES

Deferred inflows for OPEB	<u>94,606</u>
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NET POSITION

Net investment in capital assets	30,222,865
Restricted for capital projects	232,834
Unrestricted	(27,048,532)

Total Net Position \$ 3,407,167

City of Lincoln, Nebraska
Solid Waste Management Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended August 31, 2025

Operating Revenues	
Fees	\$ 11,767,934
Other	1,099,771
	<u>12,867,705</u>
Total Operating Revenues	<u>12,867,705</u>
Operating Expenses	
Personal services	3,993,190
Operation and maintenance	7,524,880
Depreciation	3,047,655
Estimated closure and post-closure care costs	2,636,000
	<u>17,201,725</u>
Total Operating Expenses	<u>17,201,725</u>
Operating Loss	<u>(4,334,020)</u>
Nonoperating Revenues (Expenses)	
Occupation tax	5,985,901
Investment income	662,407
Loss on disposal of capital assets	(168,825)
Interest expense	(150,345)
Grants	(2,588)
Insurance recoveries	7,882
	<u>6,334,432</u>
Net Nonoperating Revenues	<u>6,334,432</u>
Excess of Revenues Over Expenses	
Before Contributions and Transfers	2,000,412
Capital Contributions	549,875
Transfers Out to Other City Funds, Net	<u>(1,284,933)</u>
Increase in Net Position	1,265,354
Net Position, Beginning of Year, as Previously Reported	<u>2,329,086</u>
Restatement	(187,273)
Net Position, Beginning of Year, as Restated	<u>2,141,813</u>
Net Position, End of Year	<u><u>\$ 3,407,167</u></u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Statement of Cash Flows
Year Ended August 31, 2025

Operating Activities	
Receipts from customers and users	\$ 11,439,897
Payments to suppliers for goods and services	(7,001,453)
Payments to employees	(3,977,716)
Other receipts	1,099,771
Net Cash Provided by Operating Activities	<u>1,560,499</u>
Noncapital Financing Activities	
Occupation tax receipts	5,984,315
Transfers to other funds	(2,039,393)
Advances from other funds	40,642
Grants	(2,588)
Net Cash Provided by Noncapital Financing Activities	<u>3,982,976</u>
Capital and Related Financing Activities	
Purchases of capital assets	(3,799,516)
Capital contributions	549,875
Transfers from other funds	754,460
Principal payments of long-term debt	(645,000)
Insurance proceeds	7,882
Interest and fiscal charges paid on long-term debt	(190,897)
Net Cash Used in Capital and Related Financing Activities	<u>(3,323,196)</u>
Investing Activities	
Purchases of investments	(11,434,035)
Proceeds from sales and maturities of investments	9,371,437
Interest and other receipts	1,408,789
Net Cash Used in Investing Activities	<u>(653,809)</u>
Increase in Cash and Cash Equivalents	1,566,470
Cash and Cash Equivalents, Beginning of Year	<u>1,221,666</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,788,136</u></u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Statement of Cash Flows - Continued
Year Ended August 31, 2025

**Reconciliation of Cash and Cash Equivalents
to the Statements of Net Position**

Current assets	
Cash and cash equivalents	\$ 871,275
Noncurrent assets	
Cash and cash equivalents - restricted	310,627
Equity in pooled cash and investments - restricted	<u>1,606,234</u>
	<u>\$ 2,788,136</u>

**Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities**

Operating loss	\$ (4,334,020)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	3,047,655
Changes in operating assets and liabilities	
Accounts receivable	(364,855)
Due from other City funds	40,661
Due from other governments	(3,843)
Deferred outflows for OPEB	3,302
Accounts payable	525,297
Accrued liabilities	10,163
Accrued compensated absences	2,933
Due to other City funds	(1,736)
Due to other governments	(134)
Total OPEB liability	11,978
Deferred inflows for OPEB	(12,902)
Closure/post-closure care costs	<u>2,636,000</u>
Net Cash Provided by Operating Activities	<u>\$ 1,560,499</u>

Supplemental Cash Flows Information

Payables incurred for acquisition of capital assets	\$ 626,079
Change in fair value of investments	(7,287)
Amortization of bond premium	38,176

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Operations

The Solid Waste Management Fund (the “Fund”) is an enterprise fund of the City of Lincoln, Nebraska (the “City”) that is used to account for operations related to the management of solid wastes generated within the City of Lincoln and Lancaster County.

The solid waste operation facilities are owned by the City and operated under the direction of the Mayor and the City Council. The authority to adopt the annual budget, to incur debt and to establish fees, rates and charges are vested in the City Council by the City charter.

The financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of August 31, 2025, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Fund first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 City Treasurer is responsible for the safekeeping of cash and investments of the Fund. The City is authorized to invest in certificates of deposit, time deposits, and 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 the City Investment Policy in effect on the date the investment is made. Cash balances in excess of current requirements are invested along with cash from other City funds and the interest earned on these investments is allocated monthly to the various funds by the City Treasurer on a pro rata basis of using the average of the prior three months balances.

**City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2025**

For purposes of the Statement of Cash Flows, the Fund considers cash on hand and in the bank, as well as cash and equity in pooled cash and investments held by the City Treasurer, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents.

The Fund participates in a cash management pool managed by the City. The pool consists of bank deposits and investments. The Fund's interest in this pool is shown as equity in pooled cash and investments in the statements 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.

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

Accounts Receivable

Accounts receivable are stated at amounts billed to customers and include both fees and occupation taxes. Monthly statements are issued for accounts receivable, which are due on the last day of the month. Accounts unpaid by the due date are assessed a late fee of 2% monthly. Management does not believe an allowance for doubtful accounts is necessary at August 31, 2025. At August 31, 2025, approximately 46% of accounts receivable were owed from four customers.

Capital Assets

The cost of additions and replacements to land, buildings, improvements other than buildings and equipment in service is capitalized. Cost includes acquisition price, negotiation and appraisal services and payments to contractors. The cost of land, buildings, improvements and equipment along with the related accumulated depreciation is removed from the books at time of disposal and a gain or loss is recognized. Expenditures for maintenance and repairs are charged to current expenses. Depreciation expense is calculated on the straight-line method over the estimated useful lives of the assets. Depreciation expense recognized on contributed assets is charged to operations in accordance with similar capital assets.

Estimated Useful Lives

Buildings	10 - 25 years
Improvements other than buildings	10 - 25 years
Machinery and equipment	5 - 10 years

Compensated Absences

Employees earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation. Employees earn sick leave at the rate of approximately one day per month. Upon retirement, an employee is reimbursed for a percentage of accumulated sick leave depending on the employees' bargaining unit contract. In some cases, payment may be placed in a medical spending account rather than reimbursing the employee directly.

Expense and the related liability are recognized as vacation or sick leave benefits are earned and when it is more likely than not that the leave will be used or otherwise paid or settled. Compensated absence liabilities are computed using the current salary rates in effect at the statement of net position date and include salary-related payments directly and incrementally associated with payments made for compensated absences.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statements of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. The Fund has one item that qualifies for reporting as a deferred outflow of resources. Deferred outflows for OPEB include OPEB related amounts not yet recognized within OPEB expense. The Fund has one item that qualifies for reporting as a deferred inflow of resources. Deferred inflows for OPEB include OPEB related amounts not yet recognized against OPEB expense.

Net Position

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

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt 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 - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Operating and Nonoperating Revenues and Expenses

As an enterprise fund, the Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Fund’s principal ongoing operations. Operating revenues include all fees charged for the disposal of solid waste less occupation tax, and other revenues including those from the sale of recyclable materials and rental of property. Operating expenses include personnel costs, the cost of materials and services for operation and maintenance, depreciation on capital assets and closure and post-closure care costs.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Occupation tax, investment income, interest expense and gain/loss on disposal of assets are classified as nonoperating revenues or expenses.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2025

As detailed in the table below, fund revenue is generated by a fee for refuse disposed of in the City’s municipal solid waste landfill; an occupation tax for refuse collected within the corporate limits of the City of Lincoln by a refuse hauler, and on refuse collected outside the corporate limits of the City of Lincoln by a refuse hauler and disposed of in the City’s municipal solid waste landfill; other fees authorized by the City Council; and nonoperating revenues. The following rates were effective during the year:

Effective September 1, 2024:

Landfill refuse fee (including special wastes), per ton	\$	30.35
Occupation tax, per ton		19.85

Effective January 1, 2025:

Landfill refuse fee (including special wastes), per ton	\$	31.15
Occupation tax, per ton		19.85

Effective July 1, 2025:

Landfill refuse fee (including special wastes), per ton	\$	32.24
Occupation tax, per ton		19.85

Effective January 1, 2026, the landfill refuse fee, per ton will increase to \$33.79 and the occupation tax rate, per ton, will increase to \$20.80.

Restatement

During the year ended August 31, 2025, the Fund implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of the unused vacation and sick leave owed to employees upon separation of employment, the Fund now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle resulted in a restatement of the beginning balance of the earliest period presented and are summarized below:

	<u>Balance, as Previously Reported</u>	<u>GASB 101 Implementation</u>	<u>Balance, as Restated</u>
Net position, September 1, 2024	\$ 2,329,086	\$ (187,273)	\$ 2,141,813
Increase in net position, year ended August 31, 2024	\$ 1,312,009	\$ (187,273)	\$ 1,124,736

Note 2. Deposits, Investments and Investment Return

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Fund has been allocated a portion of the City’s pooled cash and investments. The City’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statutes 15-846 and 15-847 R.R.S. 1943, require banks either to provide a bond or may give security as provided in the Public Funds Deposit Security Act to the City Treasurer in the amount of the City’s deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2025

The City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City, or a letter of credit issued by the Federal Reserve Bank, and thus no custodial credit risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

The Fund held no outside investments as of August 31, 2025. See City of Lincoln's Annual Comprehensive Financial Report for additional disclosures related to the pooled cash and investments.

The carrying values of deposits and investments are included in the statements of net position as follows:

Carrying value	
Deposits	\$ 1,181,902
Equity in pooled cash and investments	<u>14,178,321</u>
	<u>\$ 15,360,223</u>
Included in the following statements of net position captions	
Current Assets	
Cash and cash equivalents	\$ 871,275
Equity in pooled cash and investments	10,508,742
Noncurrent Assets	
Equity in pooled cash and investments	880,854
Cash and cash equivalents - restricted	310,627
Equity in pooled cash and investments - restricted	<u>2,788,725</u>
	<u>\$ 15,360,223</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2025

Note 3. Capital Assets

Capital asset activity for the year ended August 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,540,452	\$ -	\$ -	\$ -	\$ 1,540,452
Construction in progress	2,388,581	3,121,761	(132,767)	(1,680,852)	3,696,723
Total capital assets, not being depreciated	3,929,033	3,121,761	(132,767)	(1,680,852)	5,237,175
Capital assets, being depreciated:					
Buildings	3,643,440	-	-	-	3,643,440
Improvements other than buildings	55,288,801	-	-	1,680,852	56,969,653
Machinery and equipment	15,683,404	940,239	(163,638)	-	16,460,005
Total capital assets, being depreciated	74,615,645	940,239	(163,638)	1,680,852	77,073,098
Less accumulated depreciation for:					
Buildings	2,264,308	90,312	-	-	2,354,620
Improvements other than buildings	35,011,929	1,655,917	-	-	36,667,846
Machinery and equipment	7,121,671	1,301,426	(127,580)	-	8,295,517
Total accumulated depreciation	44,397,908	3,047,655	(127,580)	-	47,317,983
Total capital assets, being depreciated, net	30,217,737	(2,107,416)	(36,058)	1,680,852	29,755,115
Capital assets, net	\$ 34,146,770	\$ 1,014,345	\$ (168,825)	\$ -	\$ 34,992,290

The Fund has commitments under major construction contracts in progress of approximately \$5,521,000 at August 31, 2025.

Note 4. Long-term Obligations

Long-term liability activity for the year ended August 31, 2025 was as follows:

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds, Series 2013	\$ 2,010,000	\$ -	\$ 375,000	\$ 1,635,000	\$ 390,000
Revenue bonds, Series 2015	3,610,000	-	270,000	3,340,000	280,000
Issuance premium	323,606	-	38,176	285,430	-
Net bonds payable	5,943,606	-	683,176	5,260,430	670,000
Other liabilities					
Accrued compensated absences *	608,065	2,933	-	610,998	250,383
Total OPEB liability	164,669	11,978	-	176,647	7,460
Closure/post-closure care costs	39,302,059	2,636,000	-	41,938,059	-
Total long-term liabilities	\$ 46,018,399	\$ 2,650,911	\$ 683,176	\$ 47,986,134	\$ 927,843

*The change in the compensated absences liability is presented as a net amount.

City of Lincoln, Nebraska
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During fiscal year 2013, \$8,340,000 of revenue and refunding bonds were issued to refund \$2,800,000 of Series 2006 bonds and finance improvements to the City's solid waste management facilities. Interest rates on the bonds range from .25% to 4.00% and interest is payable semi-annually. Annual principal installments are due August 1, ranging from \$330,000 to \$850,000 through 2029. Series 2013 bonds maturing on or after August 1, 2024 are subject to redemption prior to maturity at the option of the City at any time on or after August 1, 2023.

During fiscal year 2015, \$5,520,000 of revenue bonds were issued to finance improvements to the City's solid waste management facilities. Interest rates on the bonds range from 2.00% to 5.00% and interest is payable semi-annually. Annual principal installments are due August 1, ranging from \$220,000 to \$400,000 through 2035. Series 2015 bonds maturing on or after August 1, 2026 are subject to redemption prior to maturity at the option of the City at any time on or after August 1, 2025.

The Fund has pledged future revenues derived from the operation of the municipally owned solid waste management facilities, net of operating and maintenance expenses, to repay the outstanding revenue bonds discussed above. The total principal and interest remaining to be paid on the bonds is \$5,748,023, with annual payments expected to require 13% of net revenues. Principal and interest paid for the current year and net system revenues were \$834,573 and \$6,713,010, respectively.

The debt service requirements as of August 31, 2025 are as follows:

Year Ending August 31	Principal	Interest	Total
2026	\$ 670,000	\$ 161,384	\$ 831,384
2027	690,000	142,844	832,844
2028	715,000	118,144	833,144
2029	740,000	92,544	832,544
2030	325,000	70,344	395,344
2031-2035	<u>1,835,000</u>	<u>187,763</u>	<u>2,022,763</u>
	<u>\$ 4,975,000</u>	<u>\$ 773,023</u>	<u>\$ 5,748,023</u>

Note 5. Other Postemployment Benefits (OPEB)

Plan Description

The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City's plan. Each qualified beneficiary pays the entire cost of premiums for the continuous coverage. The City recognizes as OPEB the implicit rate subsidy provided to retirees when their premium is the "full cost" of the insurer's charge for the active population. Since the retirees have higher costs, the premium they pay is not expected to cover their costs, and the difference is essentially covered by the City's payment for active employees. The City plan is a single-employer defined benefit plan. The City does not issue a separate report that includes financial statements and required supplementary information for OPEB. The City's Annual Comprehensive Financial Report (ACFR) may be obtained by writing to the City of Lincoln, Finance Department, 555 South 10th Street, Lincoln, NE 68508.

**City of Lincoln, Nebraska
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Notes to Financial Statements
August 31, 2025**

The Fund accounts for and reports its participation in the City’s single-employer plan as if it was a cost-sharing plan. The Fund’s proportionate share of the total OPEB liability was based on the Fund’s share of active employees relative to all active City employees. At August 31, 2025, the Fund’s proportion was 0.99%, which was an increase of 0.02% from the proportion measured as of August 31, 2024.

Funding Policy

The plan is a pay-as-you-go and therefore, is not funded. There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 75 in connection with the plan.

Actuarial Methods and Assumptions

The total OPEB liability at August 31, 2025 was measured as of August 31, 2024. The actuarial valuation was prepared as of August 31, 2024. The total OPEB liability as of August 31, 2025 is based on the following actuarial assumptions and other inputs:

Price Inflation	2.50%
Municipal Bond Index Rate	3.88%, monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate
Health Care Cost Trend Rate	7.00%, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2034
Cost-Sharing Premiums	Premiums, effective as of November 1, 2023, were trended forward to the valuation date, August 31, 2024 for active and in pay members. Civilian premium rates were based on the Base Plan and the combined rate for Police and Fire was based on an average for the Police and Fire group. Premiums trended to August 31, 2023 Police / Fire Retiree - \$12,122 Police / Fire Spouse - \$15,084 Civilians Retiree - \$10,987 Civilians Spouse - \$14,117
Mortality	General Pub-2010 Tables used for Civilians and Safety Pub-2010 Tables used for Police and Fire with generational mortality improvement using the MP-2021 Mortality Improvement Scale.

The Police and Fire demographic actuarial assumptions used in the August 31, 2024 valuation are consistent with those used in the valuation of the Lincoln Police and Fire Pension Plan at that time, which were based on the actuarial experience study covering the four-year period ending August 31, 2022.

The Civilian mortality rate assumption aligns with the Pub-2010 Mortality Tables used for Police and Fire, except they are based on the General population tables to better align with the respective employment groups. Due to the size of the plan and lack of available data to analyze, the withdrawal rates are based on The Basic Service Table from the 2003 SOA Pension Plan Turnover Study and the disability rates are based on rates observed in similar types of plans. The retirement rates were unchanged from the prior valuation as we believe they are reasonable estimates of future experience.

The remaining actuarial assumptions (initial per capita costs, health care cost trends, rate of plan participation, rates of DROP participation, etc.) used in the valuation were based on a review of recent plan experience.

City of Lincoln, Nebraska
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Notes to Financial Statements
August 31, 2025

Deferred Outflows (Inflows) of Resources Related to OPEB, Total OPEB Liability, and OPEB Expense

At August 31, 2025, the Fund reported a total OPEB liability of \$176,647 for its proportionate share of the collective total OPEB liability for the City. For the year ended August 31, 2025, the Fund recognized OPEB expense of \$3,784 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	\$ 7,460	\$ -
Differences between expected and actual experience	926	77,446
Changes in assumptions	26,618	17,160
Total	<u>\$ 35,004</u>	<u>\$ 94,606</u>

The deferred outflows of resources related to OPEB resulting from the Fund's benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending August 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 10,028	\$ (20,403)
2027	9,496	(19,486)
2028	5,983	(19,486)
2029	572	(19,474)
2030	572	(13,700)
Thereafter	893	(2,057)
	<u>\$ 27,544</u>	<u>\$ (94,606)</u>

Sensitivity of the Total OPEB Liability to Changes in the Rates

The following presents the Fund's proportionate share of the total OPEB liability calculated using health care cost trend rates ranging from 7.00% in 2024 and trending downward to 4.50% in 2034, as well as the Fund's proportionate share of the total OPEB liability calculated using trend rates that are 1% lower and 1% higher than the current rates:

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability August 31, 2025	\$ 156,172	\$ 176,647	\$ 201,040

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2025

The following presents the Fund's proportionate share of the total OPEB liability, calculated using the discount rate of 3.88% as of August 31, 2025, as well as the Fund's proportionate share of the total OPEB liability calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Total OPEB Liability August 31, 2025	\$ 195,188	\$ 176,647	\$ 160,099

Note 6. Risk Management

The Fund participates in the City's self-insurance program administered by the City's Risk Management Division. The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. The City has a self-insured retention for workers' compensation exposures up to \$800,000 per individual; building and contents exposures up to \$100,000 per occurrence; general liability exposures up to \$400,000 per occurrence; public official's exposures up to \$400,000 per occurrence; auto liability exposures up to \$400,000, and employee long-term disability.

Workers' compensation, general liability, and public official's liability are covered by excess insurance which provides statutory limits above the City's retention. Auto liability is covered by a policy which provides a limit of \$6 million. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

Premium amounts are paid to the Insurance Revolving Fund, including an estimate of the liability for claims incurred but not yet reported as of August 31, 2025. The Fund incurred insurance expense of approximately \$122,000 in 2025.

Note 7. Closure and Post-closure Care Costs

The City of Lincoln currently owns and operates both a municipal solid waste landfill and a construction and demolition debris landfill. State and federal laws require the City to close the landfills once capacity is reached and to monitor and maintain the site for thirty subsequent years on the municipal solid waste landfill and five subsequent years on the construction and demolition debris landfill. Although certain closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date.

At August 31, 2025, the City had established a closure/post-closure cost liability of \$34,105,000 for the municipal solid waste landfill which represents the amount of estimated costs reported to date based on the approximately 76% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$9 million, which will be recognized as the remaining capacity is used (estimated to be approximately 10 years).

At August 31, 2025, the City had established a closure/post-closure cost liability of \$2,208,000 for the construction and demolition debris landfill which represents the amount of estimated costs reported to date based on the approximately 49% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$2.2 million, which will be recognized as the remaining capacity is used (estimated to be approximately 23 years).

City of Lincoln, Nebraska
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Notes to Financial Statements
August 31, 2025

The estimated costs of closure and post-closure care, as determined by an independent engineering consultant, are subject to changes such as updated cost estimates, the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure and other variables.

The City of Lincoln also owns a solid waste disposal area which discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency Solid Waste Disposal Criteria issued October 9, 1991, the City still adheres to certain closure and post-closure care requirements under prior legislation, including the construction of final cover, monitoring of groundwater conditions and landfill gas migration and general site maintenance. At August 31, 2025, a liability for post-closure care costs is recorded in the amount of approximately \$5,625,000. If any unanticipated corrective action costs related to landfill gas migration or groundwater contamination are identified through current monitoring procedures, an additional accrued liability will be recorded once these costs can be reasonably estimated.

Note 8. Pension Plan

Employees are eligible after six months of service and age 19 to be covered under the City's Money Purchase Pension Plan, established by City Ordinance, and administered by an insurance company. Enrollment in the program is mandatory at age 40 with five years of service. Vesting occurs in increments between three and seven years of enrollment in the Plan. The Plan is a defined contribution plan requiring employees to contribute at a rate determined by the employees' bargaining unit and date of hire. The City contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Employees covered by the Plan may also make voluntary contributions. For the year ended August 31, 2025, the City made employer contributions of approximately \$266,000 to the Money Purchase Pension Plan.

Note 9. Related Party Transactions

The City provides certain administrative services to the Fund for which the Fund pays fees to the City. These fees amounted to approximately \$564,000 for the year ended August 31, 2025.

Amounts due from other City funds for solid waste fees are \$17,285 as of August 31, 2025. Additionally, amounts due from other City funds as of August 31, 2025 included \$200,620 of advances to other funds from the Fund. Amounts due to other City funds for administrative and other services are \$4,812 as of August 31, 2025.

In 2025, the Fund transferred \$2,035,754 to the Lincoln/Lancaster County Health Fund of the City for occupation taxes collected by the Fund. In 2025, the Fund transferred \$3,639 to the General Fund of the City for the Lincoln Employee Assistance Program. In 2025, the Fund received \$754,460 from other City Funds for various capital projects.

Required Supplementary Information

City of Lincoln, Nebraska
Solid Waste Management Fund
Schedule of the Solid Waste Management Fund's Proportionate Share of the
Total Other Postemployment Benefit (OPEB) Liability
Measurement Period Ending August 31, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
The Fund's proportion of the total OPEB liability	0.99%	0.97%	0.97%	0.94%	0.95%	1.03%	1.05%	1.16%
The Fund's proportionate share of the total OPEB liability	\$ 176,647	\$ 164,669	\$ 163,706	\$ 271,310	\$ 257,060	\$ 207,247	\$ 188,610	\$ 217,414
The Fund's covered payroll	\$ 1,846,985	\$ 1,651,305	\$ 1,547,624	\$ 1,440,948	\$ 1,434,161	\$ 1,501,600	\$ 1,480,180	\$ 1,604,865
The Fund's proportionate share of the total OPEB liability as a percentage of its covered payroll	9.56%	9.97%	10.58%	18.83%	17.92%	13.80%	12.74%	13.55%

Note: This schedule represents information as of the measurement date of the total OPEB liability. This schedule is required to present 10 years of information. However, information is not available and will be added as it becomes available.

Notes to Schedule:

The City of Lincoln has no accumulated assets held in trust to pay related benefits.

Changes in actuarial assumptions:

August 31, 2024 valuation – The discount rate has changed from 3.77% to 3.88% due to a change in the municipal bond rate.

August 31, 2023 valuation – The discount rate has changed from 3.38% to 3.77% due to a change in the municipal bond rate. The inflation assumption has changed from 2.25% to 2.50%. The wage growth assumption has changed from 2.75% to 3.00%. The mortality improvement scale changed to the MP-2021 Mortality Improvement Scale. Retirement rates were updated for Plan A Police and Fire members to better reflect recent experience. Termination rates were updated for Police members to better reflect recent experience. Disability rates were updated for Police and Fire members to better reflect recent experience.

August 31, 2022 valuation – The discount rate has changed from 2.12% to 3.38% due to a change in the municipal bond rate. The trend rate assumption was adjusted to 7.00% in the first year, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2032.

August 31, 2021 valuation – The discount rate has changed from 2.11% to 2.12% due to a change in the municipal bond rate.

City of Lincoln, Nebraska
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Schedule of the Solid Waste Management Fund's Proportionate Share of the
Total Other Postemployment Benefit (OPEB) Liability
Measurement Period Ending August 31, 2025

- August 31, 2020 valuation – The discount rate has changed from 3.16% to 2.11% due to a change in the municipal bond rate. The inflation rate has changed from 2.50% to 2.25% based on the most recent Lincoln Police and Fire Pension Plan experience study. The mortality assumption was updated to the Pub-2010 family of mortality tables. The Safety tables are used for the Police and Fire members and the General tables are used for the Civilian members. Retirement rates for the Police and Fire members were adjusted to service-based rates. Termination rates were adjusted to service-based rates. Disability rates for Civilians were reduced at most ages and combined for males and females. The percentage of members assumed to be married was updated from 100% to 90%. The trend rate assumption was adjusted to 7.00% in the first year, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2030.
- August 31, 2019 valuation – The discount rate has changed from 3.96% to 3.16% due to a change in the municipal bond rate.
- August 31, 2018 valuation – The discount rate has changed from 3.53% to 3.96% due to a change in the municipal bond rate. The trend rate assumption is now 7.25% decreasing by 0.25% per year until an ultimate rate of 4.75% is reached in 2028, which changed from 7.50% for 2016 and 2017, decreasing by 0.50% per year for four years, then decreasing by 0.25% per year until an ultimate rate of 5.00% is reached in 2023.
- August 31, 2017 valuation – The discount rate has changed from 2.85% to 3.53% due to a change in the municipal bond rate.