

City of Lincoln, Nebraska
Solid Waste Management Fund

Accountants' Report and Financial Statements

August 31, 2012 and 2011



City of Lincoln, Nebraska
Solid Waste Management Fund
August 31, 2012 and 2011

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Independent Accountants' Report on Financial Statements

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

We have audited the accompanying basic financial statements of the Solid Waste Management Fund of the City of Lincoln, Nebraska as of and for the years ended August 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lincoln, Nebraska. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Management Fund of the City of Lincoln, Nebraska as of August 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

February 8, 2013

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Net Assets
August 31, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Current Assets		
Equity in pooled cash and investments	\$ 2,127,985	\$ 4,914,336
Accounts receivable	1,027,780	1,286,960
Accrued interest receivable	11,263	22,174
Due from other City funds, net	78,088	175,055
Due from other governments	6,519	4,305
	<u>3,251,635</u>	<u>6,402,830</u>
Total current assets		
Noncurrent Assets		
Equity in pooled cash and investments	1,888,578	-
Restricted assets		
Equity in pooled cash and investments	406,344	399,245
Accrued interest receivable	1,077	1,459
Due from other City funds	7,811	14,114
	<u>415,232</u>	<u>414,818</u>
Total restricted assets		
Capital Assets, Net	<u>22,430,829</u>	<u>22,340,099</u>
Deferred Bond Issuance Costs	<u>52,853</u>	<u>57,005</u>
Total noncurrent assets	<u>24,787,492</u>	<u>22,811,922</u>
Total assets	<u>28,039,127</u>	<u>29,214,752</u>

Liabilities

Current Liabilities		
Accounts payable	219,058	547,087
Accrued liabilities	80,829	64,156
Accrued compensated absences	94,129	99,106
Due to other governments	58,449	69,959
Accrued interest payable	9,604	10,338
Current portion of long-term debt	225,000	220,000
	<u>687,069</u>	<u>1,010,646</u>
Total current liabilities		
Noncurrent Liabilities		
Other accrued liabilities	88,183	74,890
Accrued closure/post-closure care costs	15,436,000	14,632,000
Long-term debt	2,583,802	2,809,494
	<u>18,107,985</u>	<u>17,516,384</u>
Total noncurrent liabilities		
Total liabilities	<u>18,795,054</u>	<u>18,527,030</u>

Net Assets

Invested in capital assets, net of related debt	19,912,011	19,267,574
Restricted for capital projects	15,233	14,817
Unrestricted	<u>(10,683,171)</u>	<u>(8,594,669)</u>
Total net assets	<u>\$ 9,244,073</u>	<u>\$ 10,687,722</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Fees	\$ 5,084,270	\$ 5,074,836
Other	<u>609,458</u>	<u>486,422</u>
Total operating revenues	<u>5,693,728</u>	<u>5,561,258</u>
Operating Expenses		
Personal services	2,255,989	2,186,884
Operation and maintenance	3,006,301	3,057,166
Depreciation	1,924,210	1,969,068
Estimated closure and post-closure care costs	<u>804,000</u>	<u>1,142,000</u>
Total operating expenses	<u>7,990,500</u>	<u>8,355,118</u>
Operating loss	<u>(2,296,772)</u>	<u>(2,793,860)</u>
Nonoperating Revenue (Expense)		
Occupation tax	2,048,615	2,059,361
Investment income (loss)	3,222	(5,489)
Gain on disposal of capital assets	36,632	-
Interest expense and fiscal charges	(127,103)	(135,379)
Other	<u>5,587</u>	<u>7,508</u>
Total net nonoperating revenues	<u>1,966,953</u>	<u>1,926,001</u>
Deficit of Revenues Over Expenses Before Transfers	(329,819)	(867,859)
Transfers Out to Other City Funds	<u>(1,113,830)</u>	<u>(1,009,083)</u>
Decrease in Net Assets	(1,443,649)	(1,876,942)
Net Assets, Beginning of Year	<u>10,687,722</u>	<u>12,564,664</u>
Net Assets, End of Year	<u>\$ 9,244,073</u>	<u>\$ 10,687,722</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Cash Flows
Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Receipts from customers and users	\$ 5,265,716	\$ 4,885,292
Payments to suppliers for goods and services	(3,011,299)	(3,135,883)
Payments to employees	(2,231,000)	(2,144,255)
Other receipts	<u>609,458</u>	<u>486,422</u>
Net cash provided by operating activities	<u>632,875</u>	<u>91,576</u>
Noncapital Financing Activities		
Occupation tax receipts	2,124,861	1,987,948
Transfers to other funds	(1,113,830)	(1,009,083)
Payments from other funds	<u>101,017</u>	<u>249,726</u>
Net cash provided by noncapital financing activities	<u>1,112,048</u>	<u>1,228,591</u>
Capital and Related Financing Activities		
Purchase of capital assets	(2,347,956)	(4,207,912)
Proceeds from sale of capital assets	36,632	-
Principal payments of long-term debt	(220,000)	(210,000)
Interest paid on long-term debt	(124,375)	(132,775)
Other	<u>5,587</u>	<u>7,508</u>
Net cash used in capital and related financing activities	<u>(2,650,112)</u>	<u>(4,543,179)</u>
Investing Activities		
Purchases of investments	(6,927,311)	(3,297,734)
Proceeds from sale and maturities of investments	7,196,661	4,985,286
Interest and other receipts	<u>34,453</u>	<u>102,186</u>
Net cash provided by investing activities	<u>303,803</u>	<u>1,789,738</u>
Decrease in Cash and Cash Equivalents	(601,386)	(1,433,274)
Cash and Cash Equivalents, Beginning of Year	<u>907,088</u>	<u>2,340,362</u>
Cash and Cash Equivalents, End of Year	<u>\$ 305,702</u>	<u>\$ 907,088</u>

The table below summarizes the amount of cash and cash equivalents included within each financial statement line item caption on the Statements of Net Assets:

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

Equity in pooled cash and investments - current	\$ 281,003	\$ 843,055
Equity in pooled cash and investments - restricted	<u>24,699</u>	<u>64,033</u>
	<u>\$ 305,702</u>	<u>\$ 907,088</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Cash Flows - Continued
Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (2,296,772)	\$ (2,793,860)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,924,210	1,969,068
Changes in operating assets and liabilities		
Accounts receivable	182,933	(192,069)
Due from other City funds, net	2,252	2,769
Due to/from other governments, net	(13,724)	(6,859)
Accounts payable	4,987	(72,102)
Accrued liabilities	30,242	30,959
Accrued compensated absences	(5,253)	11,670
Closure/post-closure care costs	<u>804,000</u>	<u>1,142,000</u>
Net Cash Provided by Operating Activities	<u>\$ 632,875</u>	<u>\$ 91,576</u>
Supplemental Cash Flows Information		
Payables incurred for acquisition of capital assets	\$ 110,015	\$ 443,031
Change in fair value of investments	\$ (19,938)	\$ (85,888)

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

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 is 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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity 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 applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 that do not conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

The Fund first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are 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 and liabilities 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 assets during the reporting period. Actual results could differ from those estimates.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 1: Summary of Significant Accounting Policies - Continued

Deposits and Investments

The City Treasurer is responsible for the safekeeping of cash and invested funds 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 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 aggregate quarterly balances.

For purposes of the Statements 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 assets. 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. Accounts receivable are issued monthly statements which are due on the last day of the month. Accounts unpaid by the due date are assessed a late fee of 1% monthly. Management does not believe an allowance for doubtful accounts is necessary at August 31, 2012 and 2011. At August 31, 2012 and 2011, approximately 39% and 23% of accounts receivable were owed from two and one customers, respectively.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 1: Summary of Significant Accounting Policies - Continued

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

Deferred Bond Issuance Costs

Costs related to the issuance of long-term debt are deferred and amortized over the term of the related debt using the bonds-outstanding method.

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 one-half or up to 65% of accumulated sick leave. In some cases payment may be placed in a medical spending account rather than reimbursing the employee directly.

Vacation leave and other compensated absences with similar characteristics are accrued as the benefits are earned if the leave is attributable to past service and it is probable that the Fund will compensate the employees for such benefits. Sick leave and other compensated absences with similar characteristics are accrued as the benefits are earned only to the extent it is probable that the Fund will compensate the employees for such benefits through cash payments conditioned on the employee's termination or retirement. Such accruals are based on current salary rates and include salary-related payments directly and incrementally associated with payments made for compensated absences on termination.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 1: Summary of Significant Accounting Policies - Continued

Other Post-Employment Benefits

The Fund recorded a liability for the annual required contribution (ARC) of approximately \$64,000 and \$51,000 as of August 31, 2012 and 2011, respectively, in connection with GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The complete disclosures required by GASB 45 are included in the City of Lincoln Comprehensive Annual Financial Report (CAFR).

Net Assets

Net assets are required to be classified into three components - invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net 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 improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt.

Restricted - This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as through debt covenants), contributors or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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, 2012 and 2011

Note 1: Summary of Significant Accounting Policies - Continued

Operating and Nonoperating Revenues and Expenses - Continued

Fund revenue is generated by a fee based on \$14.00 per ton for refuse disposed of in the City's municipal solid waste landfill; an occupation tax of \$7.00 for each ton of 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.

Note 2: Deposits, Investments and Investment Return

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 Fund has been allocated a portion of the City's pooled cash and investments. Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

For interest-bearing cash accounts, 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 and thus no custodial risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

All of the Fund's cash and investments at August 31, 2012 and 2011, totaling \$4,422,907 and \$5,313,581, respectively, were comprised of an allocation of the City's pooled cash and investments.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 3: Capital Assets

Capital asset activity for the year ended August 31, 2012 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	4,873,717	669,922	-	(5,104,060)	439,579
Total capital assets, not being depreciated	<u>6,414,169</u>	<u>669,922</u>	<u>-</u>	<u>(5,104,060)</u>	<u>1,980,031</u>
Capital assets, being depreciated:					
Buildings	2,076,504	-	-	-	2,076,504
Improvements other than buildings	28,149,231	90,990	-	5,104,060	33,344,281
Machinery and equipment	6,215,385	1,254,028	1,188,774	-	6,280,639
Total capital assets, being depreciated	<u>36,441,120</u>	<u>1,345,018</u>	<u>1,188,774</u>	<u>5,104,060</u>	<u>41,701,424</u>
Less accumulated depreciation for:					
Buildings	1,173,374	89,853	-	-	1,263,227
Improvements other than buildings	14,906,901	1,464,472	-	-	16,371,373
Machinery and equipment	4,434,915	369,885	1,188,774	-	3,616,026
Total accumulated depreciation	<u>20,515,190</u>	<u>1,924,210</u>	<u>1,188,774</u>	<u>-</u>	<u>21,250,626</u>
Total capital assets, being depreciated, net	<u>15,925,930</u>	<u>(579,192)</u>	<u>-</u>	<u>5,104,060</u>	<u>20,450,798</u>
Capital assets, net	<u>\$ 22,340,099</u>	<u>\$ 90,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,430,829</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 3: Capital Assets - Continued

Capital asset activity for the year ended August 31, 2011 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	246,046	4,627,671	-	-	4,873,717
Total capital assets, not being depreciated	<u>1,786,498</u>	<u>4,627,671</u>	<u>-</u>	<u>-</u>	<u>6,414,169</u>
Capital assets, being depreciated:					
Buildings	2,069,721	6,783	-	-	2,076,504
Improvements other than buildings	28,141,665	7,566	-	-	28,149,231
Machinery and equipment	6,209,457	5,928	-	-	6,215,385
Total capital assets, being depreciated	<u>36,420,843</u>	<u>20,277</u>	<u>-</u>	<u>-</u>	<u>36,441,120</u>
Less accumulated depreciation for:					
Buildings	1,083,521	89,853	-	-	1,173,374
Improvements other than buildings	13,403,586	1,503,315	-	-	14,906,901
Machinery and equipment	4,059,015	375,900	-	-	4,434,915
Total accumulated depreciation	<u>18,546,122</u>	<u>1,969,068</u>	<u>-</u>	<u>-</u>	<u>20,515,190</u>
Total capital assets, being depreciated, net	<u>17,874,721</u>	<u>(1,948,791)</u>	<u>-</u>	<u>-</u>	<u>15,925,930</u>
Capital assets, net	<u>\$ 19,661,219</u>	<u>\$ 2,678,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,340,099</u>

The fund has commitments under major construction contracts in progress of approximately \$786,000 at August 31, 2012.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 4: Long-term Obligations

Long-term liability activity for the years ended August 31, 2012 and 2011 was as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	\$ 3,020,000	\$ -	\$ 220,000	\$ 2,800,000	\$ 225,000
Deferred for issuance premium	9,494	-	692	8,802	-
Net bonds payable	3,029,494	-	220,692	2,808,802	225,000
Other liabilities					
Other accrued liabilities	173,996	107,422	99,106	182,312	94,129
Closure/post-closure care costs	14,632,000	804,000	-	15,436,000	-
Total long-term liabilities	<u>\$ 17,835,490</u>	<u>\$ 911,422</u>	<u>\$ 319,798</u>	<u>\$ 18,427,114</u>	<u>\$ 319,129</u>

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	\$ 3,230,000	\$ -	\$ 210,000	\$ 3,020,000	\$ 220,000
Deferred for issuance premium	10,154	-	660	9,494	-
Net bonds payable	3,240,154	-	210,660	3,029,494	220,000
Other liabilities					
Other accrued liabilities	142,378	119,922	88,304	173,996	99,106
Closure/post-closure care costs	13,490,000	1,142,000	-	14,632,000	-
Total long-term liabilities	<u>\$ 16,872,532</u>	<u>\$ 1,261,922</u>	<u>\$ 298,964</u>	<u>\$ 17,835,490</u>	<u>\$ 319,106</u>

Other accrued liabilities include compensated absences and other post-employment benefits.

During fiscal year 2006, \$4,000,000 of revenue bonds were issued to finance improvements to the City's solid waste management facilities. Interest rates on the bonds range from 4.00% to 4.25% and interest is payable semi-annually. Annual principal installments are due August 1, increasing from \$185,000 in 2007 to the final payment of \$710,000 in 2021. The net revenues derived from the operations of the Fund are pledged as security for the revenue bonds.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 4: Long-term Obligations - Continued

The debt service requirements as of August 31, 2012 are as follows:

Year Ending August 31	Principal	Interest	Total
2013	\$ 225,000	\$ 115,225	\$ 340,225
2014	235,000	106,225	341,225
2015	245,000	96,825	341,825
2016	255,000	87,025	342,025
2017	270,000	76,825	346,825
2018-2021	<u>1,570,000</u>	<u>193,738</u>	<u>1,763,738</u>
	<u>\$ 2,800,000</u>	<u>\$ 675,863</u>	<u>\$ 3,475,863</u>

Note 5: 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 \$50,000 per occurrence; general liability exposures up to \$250,000 per occurrence; public officials exposures up to \$250,000 per occurrence; auto liability exposures up to \$250,000, and employee long-term disability.

Workers' compensation, general liability, and public officials 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, 2012 and 2011. The Fund incurred insurance expense of approximately \$48,000 in 2012 and \$62,000 in 2011.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 6: 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 assets date.

At August 31, 2012 and 2011, the City had established a closure/post-closure cost liability of \$10,534,000 and \$9,774,000, respectively, for the municipal solid waste landfill which represents the amount of estimated costs reported to date based on the approximately 50% and 50% of landfill capacity used to date, respectively. The remaining estimated liability for these costs is approximately \$10.4 million, which will be recognized as the remaining capacity is used (estimated to be approximately 25 years).

At August 31, 2012 and 2011, the City had established a closure/post-closure cost liability of \$500,000 and \$600,000, respectively, for the construction and demolition debris landfill which represents the amount of estimated costs reported to date based on the approximately 50% and 55% of landfill capacity used to date, respectively. The remaining estimated liability for these costs is approximately \$494,000, which will be recognized as the remaining capacity is used (estimated to be approximately 18 years).

The estimated costs of closure and post-closure care, as determined by an independent engineering consultant, are subject to changes such as 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, 2012 and 2011, a liability for closure and post-closure care costs is recorded in the amount of \$4,402,000 and \$4,258,000, respectively. 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.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 7: Pension Plan

Employees are eligible after six months 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 service. Vesting occurs in increments between three and seven years of enrollment in the plan. The Plan is 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. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions.

	2012	2011
Total payroll	\$ 1,533,898	\$ 1,463,493
Covered payroll	1,507,651	1,375,912
Employee contributions	87,017	78,181
Employee contributions as a percentage of covered payroll	5.77%	5.68%
Employer contributions	\$ 171,991	\$ 156,757
Employer contributions as a percentage of covered payroll	11.41%	11.39%

Note 8: Related Party Transactions

The City provides certain administrative services to the Fund for which the Fund pays fees to the City. These fees amount to approximately \$277,000 and \$201,000 for the years ended August 31, 2012 and 2011, respectively.

The City of Lincoln General Fund has borrowed monies from the pooled cash and investment account. The Fund's allocated share of the borrowing was \$84,238 and \$185,256 as of August 31, 2012 and 2011, respectively. Amounts due from other City funds for solid waste fees are \$5,154 and \$5,881 as of August 31, 2012 and 2011.