

City of Lincoln, Nebraska
Solid Waste Management Fund

Independent Auditor's Report and Financial Statements

August 31, 2021 and 2020

City of Lincoln, Nebraska
Solid Waste Management Fund
August 31, 2021 and 2020

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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

We have audited the accompanying financial statements of the Solid Waste Management Fund of the City of Lincoln, Nebraska, as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinion

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, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2021 and 2020, the changes in its financial position and cash flows for the years 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.

Other Matter

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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the 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.

BKD, LLP

Lincoln, Nebraska
March 21, 2022

City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

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 2021, 2020 and 2019. 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.

Statements of Net Position – provide 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.

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

Statements of Cash Flows – report 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

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, 2021, net position was \$7,352,947. The Fund's condensed financial information as of and for the years ended August 31, 2021, 2020 and 2019 is found below.

City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

Condensed Statements of Net Position
As of August 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 9,228,150	\$ 11,070,306	\$ 10,294,081
Capital assets, net	32,349,175	28,150,449	28,949,061
Other noncurrent assets	<u>2,288,134</u>	<u>2,509,707</u>	<u>2,620,472</u>
Total assets	43,865,459	41,730,462	41,863,614
Deferred outflows of resources	<u>67,476</u>	<u>29,297</u>	<u>21,151</u>
Total assets and deferred outflows of resources	<u>\$ 43,932,935</u>	<u>\$ 41,759,759</u>	<u>\$ 41,884,765</u>
Current liabilities	\$ 2,893,024	\$ 1,864,727	\$ 2,284,276
Noncurrent liabilities	<u>33,672,332</u>	<u>33,319,534</u>	<u>33,156,083</u>
Total liabilities	<u>36,565,356</u>	<u>35,184,261</u>	<u>35,440,359</u>
Deferred inflows of resources	<u>14,632</u>	<u>19,808</u>	<u>24,276</u>
Net investment in capital assets	24,274,647	20,272,279	19,864,073
Restricted for capital projects	64,742	66,079	50,364
Unrestricted	<u>(16,986,442)</u>	<u>(13,782,668)</u>	<u>(13,494,307)</u>
Total net position	<u>7,352,947</u>	<u>6,555,690</u>	<u>6,420,130</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 43,932,935</u>	<u>\$ 41,759,759</u>	<u>\$ 41,884,765</u>

Total assets increased from 2020 to 2021 due to an increase in capital assets offset by a decrease in the Fund's share of pooled cash and investments. Total liabilities increased from 2020 to 2021 due to an increase in accounts payable and accrued closure/post-closure care costs offset by payments on long-term debt. Total assets remained relatively consistent from 2019 to 2020, with a slight decrease related to a decrease in accounts receivable and changes in capital assets. Total liabilities decreased from 2019 to 2020, primarily as a result of a decrease of accounts payable and payments on long-term debt offset by an increase in the accrued closure/post-closure care costs.

City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 10,422,696	\$ 10,331,272	\$ 9,182,312
Operating expenses	<u>13,010,655</u>	<u>12,627,979</u>	<u>10,892,974</u>
Operating loss	(2,587,959)	(2,296,707)	(1,710,662)
Net nonoperating revenues	<u>5,244,916</u>	<u>3,942,659</u>	<u>3,389,230</u>
Excess of revenues over expenses before contributions and transfers	2,656,957	1,645,952	1,678,568
Capital contributions	20,000	69,890	30,080
Transfers, net	<u>(1,879,700)</u>	<u>(1,580,282)</u>	<u>(1,575,406)</u>
Change in net position	797,257	135,560	133,242
Net position, beginning of year	<u>6,555,690</u>	<u>6,420,130</u>	<u>6,286,888</u>
Net position, end of year	<u>\$ 7,352,947</u>	<u>\$ 6,555,690</u>	<u>\$ 6,420,130</u>

Net nonoperating revenues increased \$1,302,257 from 2020 to 2021, primarily as a result of an increase in occupation tax of \$1,111,791. Effective January 1, 2021, the landfill occupation tax fee, per ton, was increased from \$12.15 to \$17.15.

Operating revenues increased \$1,148,960 or 12.5% from 2019 to 2020, primarily as a result of an increase in volumes, as well as a rate increase. Effective January 1, 2020, the landfill refuse fee, per ton, was increased from \$24.95 to \$26.20, additionally the weight in tons increased by approximately 28,000 tons. Net nonoperating revenues increased \$553,429 from 2019 to 2020, primarily as a result of an increase in occupation tax of \$420,464, an increase in insurance recoveries of \$336,912, and an increase in grant revenue of \$97,617, offset by a decrease in investment income of \$192,810.

City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities	\$ 681,558	\$ 1,134,903	\$ 1,231,905
Cash flows from noncapital financing activities	3,482,870	2,422,570	1,520,673
Cash flows from capital and related financing activities	(6,355,898)	(2,722,142)	(2,529,364)
Cash flows from investing activities	<u>1,957,733</u>	<u>1,236,960</u>	<u>(247,695)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (233,737)</u>	<u>\$ 2,072,291</u>	<u>\$ (24,481)</u>

Capital Assets

The Solid Waste Management Fund's investment in capital assets as of August 31, 2021 and 2020 amounted to \$32,349,175 and \$28,150,449, respectively. Capital asset balances as of August 31, 2021, 2020 and 2019 is summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated	\$ 6,309,040	\$ 2,053,485	\$ 2,903,398
Capital assets being depreciated	63,821,121	62,018,243	60,100,734
Accumulated depreciation	<u>(37,780,986)</u>	<u>(35,921,279)</u>	<u>(34,055,071)</u>
Net capital assets	<u>\$ 32,349,175</u>	<u>\$ 28,150,449</u>	<u>\$ 28,949,061</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, 2021 and 2020, the Solid Waste Management Fund had total bonded debt outstanding of \$7,415,000 and \$8,265,000, respectively. Decreases in the balance of debt outstanding is a result of scheduled debt service payments of \$850,000 and \$830,000 during 2021 and 2020, respectively. Additional information on the Solid Waste Management Fund's debt can be found in the notes to the financial statements.

City of Lincoln, Nebraska
Solid Waste Management Fund
Management's Discussion and Analysis
August 31, 2021 and 2020

Economic Outlook and Subsequent Events that Will Affect the Future

During Fiscal Year 2020/2021, with the continuing of the COVID 19 pandemic, waste collection has been unaffected and is maintaining the shift from commercial to residential in Lincoln / Lancaster County. This shift was also observable at the City's recycle sites where we once again have experienced a larger volume of recyclables. Both of these occurrences are likely due to an increased population continuing the practices of working and shopping from home. The pandemic continues to have little or no effect on either Solid Waste employment or operations. Overall impact of the pandemic does not suggest any changes are needed to the system of services in 2022, nor does the expected economic recovery and possible inflationary pressure indicate any significant changes to the system are required.

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
Statements of Net Position
August 31, 2021 and 2020

Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 348,176	\$ 99,272
Equity in pooled cash and investments, including cash and cash equivalents of \$1,741,126 for 2021 and \$2,232,904 for 2020	6,537,381	8,787,848
Accounts receivable	1,879,392	1,740,898
Due from other City funds	392,547	424,133
Due from other governments	70,654	18,155
Total current assets	<u>9,228,150</u>	<u>11,070,306</u>
Noncurrent Assets		
Equity in pooled cash and investments	<u>1,106,308</u>	<u>1,326,544</u>
Restricted assets		
Equity in pooled cash and investments, including cash and cash equivalents of \$267,630 for 2021 and \$258,493 for 2020	1,181,166	1,181,116
Accrued interest receivable	660	2,047
Total restricted assets	<u>1,181,826</u>	<u>1,183,163</u>
Capital Assets, Net	<u>32,349,175</u>	<u>28,150,449</u>
Total noncurrent assets	<u>34,637,309</u>	<u>30,660,156</u>
Total assets	<u>43,865,459</u>	<u>41,730,462</u>
Deferred Outflows of Resources		
Deferred outflows for OPEB	67,476	24,007
Deferred cost of refunded debt	-	5,290
Total deferred outflows of resources	<u>67,476</u>	<u>29,297</u>
Liabilities		
Current Liabilities		
Accounts payable	2,052,492	649,133
Accrued liabilities	75,138	71,185
Accrued compensated absences	81,735	147,076
Due to other City funds	329	30,270
Due to other governments	77,497	80,555
Accrued interest payable	22,445	25,279
Current portion of total OPEB liability	8,388	11,229
Current portion of long-term debt	575,000	850,000
Total current liabilities	<u>2,893,024</u>	<u>1,864,727</u>
Noncurrent Liabilities		
Accrued closure/post-closure care costs	26,016,000	25,117,000
Long-term debt, net	7,269,785	7,897,649
Total OPEB liability, net	248,672	196,018
Accrued compensated absences	137,875	108,867
Total noncurrent liabilities	<u>33,672,332</u>	<u>33,319,534</u>
Total liabilities	<u>36,565,356</u>	<u>35,184,261</u>
Deferred Inflows of Resources		
Deferred inflows for OPEB	<u>14,632</u>	<u>19,808</u>
Net Position		
Net investment in capital assets	24,274,647	20,272,279
Restricted for capital projects	64,742	66,079
Unrestricted	<u>(16,986,442)</u>	<u>(13,782,668)</u>
Total net position	<u>\$ 7,352,947</u>	<u>\$ 6,555,690</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2021 and 2020

	2021	2020
Operating Revenues		
Fees	\$ 9,655,887	\$ 9,731,734
Other	766,809	599,538
Total operating revenues	10,422,696	10,331,272
Operating Expenses		
Personal services	3,077,802	3,063,373
Operation and maintenance	6,762,773	6,227,874
Depreciation	2,271,080	2,306,732
Estimated closure and post-closure care costs	899,000	1,030,000
Total operating expenses	13,010,655	12,627,979
Operating loss	(2,587,959)	(2,296,707)
Nonoperating Revenues (Expenses)		
Occupation tax	4,908,574	3,796,783
Investment income	12,408	109,155
Gain on disposal of capital assets	107,010	15,735
Interest expense	(254,199)	(281,700)
Grant revenue	471,123	111,832
Insurance recoveries	-	190,854
Net nonoperating revenues	5,244,916	3,942,659
Excess of Revenues Over Expenses Before Contributions and Transfers	2,656,957	1,645,952
Capital Contributions	20,000	69,890
Transfers Out to Other City Funds, Net	(1,879,700)	(1,580,282)
Increase in Net Position	797,257	135,560
Net Position, Beginning of Year	6,555,690	6,420,130
Net Position - End of Year	\$ 7,352,947	\$ 6,555,690

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Receipts from customers and users	\$ 9,713,668	\$ 9,919,536
Payments to suppliers for goods and services	(6,486,128)	(6,415,885)
Payments to employees	(3,079,775)	(2,994,727)
Other receipts	<u>533,793</u>	<u>625,979</u>
Net cash provided by operating activities	<u>681,558</u>	<u>1,134,903</u>
Noncapital Financing Activities		
Occupation tax receipts	4,891,447	3,888,873
Transfers to other funds, net	(1,879,700)	(1,580,282)
Advances to other funds	-	(38,494)
Payments from other funds	-	40,641
Grant proceeds	<u>471,123</u>	<u>111,832</u>
Net cash provided by noncapital financing activities	<u>3,482,870</u>	<u>2,422,570</u>
Capital and Related Financing Activities		
Purchases of capital assets	(5,375,875)	(1,988,039)
Proceeds from sales of capital assets	107,010	15,735
Capital contributions	20,000	69,890
Insurance proceeds	-	338,562
Principal payments of long-term debt	(850,000)	(830,000)
Interest and fiscal charges paid on long-term debt	<u>(257,033)</u>	<u>(328,290)</u>
Net cash used in capital and related financing activities	<u>(6,355,898)</u>	<u>(2,722,142)</u>
Investing Activities		
Purchases of investments	(6,732,905)	(8,762,599)
Proceeds from sales and maturities of investments	8,679,044	9,793,422
Interest and other receipts	<u>11,594</u>	<u>206,137</u>
Net cash provided by investing activities	<u>1,957,733</u>	<u>1,236,960</u>
Increase (Decrease) in Cash and Cash Equivalents	(233,737)	2,072,291
Cash and Cash Equivalents, Beginning of Year	<u>2,590,669</u>	<u>518,378</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,356,932</u>	<u>\$ 2,590,669</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Cash Flows - Continued
Years Ended August 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 348,176	\$ 99,272
Equity in pooled cash and investments	1,741,126	2,232,904
Noncurrent assets		
Equity in pooled cash and investments - restricted	<u>267,630</u>	<u>258,493</u>
	<u>\$ 2,356,932</u>	<u>\$ 2,590,669</u>

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

Operating loss	\$ (2,587,959)	\$ (2,296,707)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	2,271,080	2,306,732
Changes in operating assets and liabilities		
Accounts receivable	(121,367)	224,938
Due from other City funds	(1,369)	2,034
Due from other governments	(52,499)	(12,729)
Deferred outflows for OPEB	(43,469)	(13,435)
Accounts payable	309,429	(174,268)
Accrued liabilities	3,953	10,216
Accrued compensated absences	(36,333)	31,444
Due to other City funds	(487)	816
Due to other governments	(3,058)	11,693
Total OPEB liability	49,813	18,637
Deferred inflows for OPEB	(5,176)	(4,468)
Closure/post-closure care costs	<u>899,000</u>	<u>1,030,000</u>
Net Cash Provided by Operating Activities	<u>\$ 681,558</u>	<u>\$ 1,134,903</u>

Supplemental Cash Flows Information

Payables incurred for acquisition of capital assets	\$ 1,346,827	\$ 252,895
Change in fair value of investments	\$ (4,650)	\$ (40,548)
Amortization of bond premium	\$ 52,864	\$ 49,896

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

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, 2021 and 2020, and the changes in its financial position and cash flows for the years 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.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

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 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 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 1% monthly. Management does not believe an allowance for doubtful accounts is necessary at August 31, 2021 and 2020. At August 31, 2021 and 2020, approximately 42% and 46%, respectively, of accounts receivable were owed from three customers.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

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

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, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position 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 two items that qualify for reporting as deferred outflows of resources. A deferred charge on refunding results from the difference in the carrying amount of refunded debt and its reacquisition price; this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the straight-line method which approximates the effective interest method. 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.”

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

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.

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.

	2021	2020
Landfill refuse fee (including special wastes), per ton	\$ 26.20	\$ 26.20
Occupation tax, per ton	17.15	12.15

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

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 15-486 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).

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, 2021 and 2020. 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:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 348,176	\$ 99,272
Equity in pooled cash and investments	<u>8,824,855</u>	<u>11,295,508</u>
	<u>\$ 9,173,031</u>	<u>\$ 11,394,780</u>
Included in the following statements of net position captions		
Current Assets		
Cash and cash equivalents	\$ 348,176	\$ 99,272
Equity in pooled cash and investments	6,537,381	8,787,848
Noncurrent Assets		
Equity in pooled cash and investments	1,106,308	1,326,544
Equity in pooled cash and investments - restricted	<u>1,181,166</u>	<u>1,181,116</u>
	<u>\$ 9,173,031</u>	<u>\$ 11,394,780</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 3: Capital Assets

Capital asset activity for the years ended August 31, 2021 and 2020 was as follows:

2021	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,540,452	\$ -	\$ -	\$ -	\$ 1,540,452
Construction in progress	513,033	5,088,147	-	(832,592)	4,768,588
Total capital assets, not being depreciated	<u>2,053,485</u>	<u>5,088,147</u>	<u>-</u>	<u>(832,592)</u>	<u>6,309,040</u>
Capital assets, being depreciated:					
Buildings	3,551,225	-	-	-	3,551,225
Improvements other than buildings	47,680,153	380,808	-	832,592	48,893,553
Machinery and equipment	10,786,865	1,000,851	(411,373)	-	11,376,343
Total capital assets, being depreciated	<u>62,018,243</u>	<u>1,381,659</u>	<u>(411,373)</u>	<u>832,592</u>	<u>63,821,121</u>
Less accumulated depreciation for:					
Buildings	1,909,227	86,709	-	-	1,995,936
Improvements other than buildings	28,385,513	1,483,515	-	-	29,869,028
Machinery and equipment	5,626,539	700,856	(411,373)	-	5,916,022
Total accumulated depreciation	<u>35,921,279</u>	<u>2,271,080</u>	<u>(411,373)</u>	<u>-</u>	<u>37,780,986</u>
Total capital assets, being depreciated, net	<u>26,096,964</u>	<u>(889,421)</u>	<u>-</u>	<u>832,592</u>	<u>26,040,135</u>
Capital assets, net	<u>\$ 28,150,449</u>	<u>\$ 4,198,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,349,175</u>
2020					
Capital assets, not being depreciated:					
Land	\$ 1,540,452	\$ -	\$ -	\$ -	\$ 1,540,452
Construction in progress	1,362,946	549,606	-	(1,399,519)	513,033
Total capital assets, not being depreciated	<u>2,903,398</u>	<u>549,606</u>	<u>-</u>	<u>(1,399,519)</u>	<u>2,053,485</u>
Capital assets, being depreciated:					
Buildings	3,551,225	-	-	-	3,551,225
Improvements other than buildings	46,280,634	-	-	1,399,519	47,680,153
Machinery and equipment	10,268,875	1,106,222	(588,232)	-	10,786,865
Total capital assets, being depreciated	<u>60,100,734</u>	<u>1,106,222</u>	<u>(588,232)</u>	<u>1,399,519</u>	<u>62,018,243</u>
Less accumulated depreciation for:					
Buildings	1,812,752	96,475	-	-	1,909,227
Improvements other than buildings	26,752,465	1,633,048	-	-	28,385,513
Machinery and equipment	5,489,854	577,209	(440,524)	-	5,626,539
Total accumulated depreciation	<u>34,055,071</u>	<u>2,306,732</u>	<u>(440,524)</u>	<u>-</u>	<u>35,921,279</u>
Total capital assets, being depreciated, net	<u>26,045,663</u>	<u>(1,200,510)</u>	<u>(147,708)</u>	<u>1,399,519</u>	<u>26,096,964</u>
Capital assets, net	<u>\$ 28,949,061</u>	<u>\$ (650,904)</u>	<u>\$ (147,708)</u>	<u>\$ -</u>	<u>\$ 28,150,449</u>

The Fund has commitments under major construction contracts in progress of approximately \$1,550,000 at August 31, 2021.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 4: Long-term Obligations

Long-term liability activity for the years ended August 31, 2021 and 2020 was as follows:

2021	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds, Series 2013	\$ 3,895,000	\$ -	\$ 850,000	\$ 3,045,000	\$ 330,000
Revenue bonds, Series 2015	4,370,000	-	-	4,370,000	245,000
Issuance premium	482,649	-	52,864	429,785	-
Net bonds payable	8,747,649	-	902,864	7,844,785	575,000
Other liabilities					
Accrued compensated absences	255,943	110,743	147,076	219,610	81,735
Total OPEB liability	207,247	49,813	-	257,060	8,388
Closure/post-closure care costs	25,117,000	899,000	-	26,016,000	-
Total long-term liabilities	<u>\$ 34,327,839</u>	<u>\$ 1,059,556</u>	<u>\$ 1,049,940</u>	<u>\$ 34,337,455</u>	<u>\$ 665,123</u>
2020					
Bonds payable					
Revenue bonds, Series 2013	\$ 4,485,000	\$ -	\$ 590,000	\$ 3,895,000	\$ 850,000
Revenue bonds, Series 2015	4,610,000	-	240,000	4,370,000	-
Issuance premium	532,545	-	49,896	482,649	-
Net bonds payable	9,627,545	-	879,896	8,747,649	850,000
Other liabilities					
Accrued compensated absences	224,499	162,443	130,999	255,943	147,076
Total OPEB liability	188,610	18,637	-	207,247	11,229
Closure/post-closure care costs	24,087,000	1,030,000	-	25,117,000	-
Total long-term liabilities	<u>\$ 34,127,654</u>	<u>\$ 1,211,080</u>	<u>\$ 1,010,895</u>	<u>\$ 34,327,839</u>	<u>\$ 1,008,305</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 4: Long-term Obligations - Continued

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 \$9,108,306, with annual payments expected to require 34% of net revenues. Principal and interest paid for the current year and net system revenues were \$1,153,284 and \$3,623,403, respectively.

The debt service requirements as of August 31, 2021 are as follows:

Year Ending August 31	Principal	Interest	Total
2022	\$ 575,000	\$ 269,284	\$ 844,284
2023	600,000	243,834	843,834
2024	620,000	217,284	837,284
2025	645,000	189,884	834,884
2026	670,000	161,383	831,383
2027-2031	2,810,000	484,062	3,294,062
2032-2035	1,495,000	127,575	1,622,575
	<u>\$ 7,415,000</u>	<u>\$ 1,693,306</u>	<u>\$ 9,108,306</u>

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

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.

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, 2021 and 2020, the Fund's proportion was 0.95% and 1.03%, respectively.

Funding Policy

The plan is a pay-as-you-go and therefore, is not funded.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 5: Other Postemployment Benefits (OPEB) - Continued

Actuarial Methods and Assumptions

The total OPEB liability at August 31, 2021 was measured as of August 31, 2020. The actuarial valuation was prepared as of August 31, 2020 for members in payment under the plan, and for active members an actuarial valuation was prepared as of September 5, 2020. Active data is not available retroactively, but was provided close to the valuation date. The total OPEB liability as of August 31, 2021 is based on the following actuarial assumptions and other inputs:

Actuarial Assumptions

Price Inflation	2.25%
Municipal Bond Index Rate	2.11%, 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 2030
Cost-Sharing Premiums	<p>Premiums, effective as of November 1, 2020, were trended backward to August 31, 2020. 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 group and Fire group.</p> <p style="padding-left: 40px;">Premiums trended to August 31, 2020</p> <p style="padding-left: 80px;">Police / Fire Retiree - \$10,687</p> <p style="padding-left: 80px;">Police / Fire Spouse - \$13,039</p> <p style="padding-left: 80px;">Civilians Retiree - \$9,542</p> <p style="padding-left: 80px;">Civilians Spouse - \$11,640</p>
Mortality	<p>General Pub-2010 Tables used for Civilians and Safety</p> <p>Pub-2010 Tables used for Police and Fire with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.</p>

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 Police and Fire demographic actuarial assumptions used in the August 31, 2020 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, 2018. The experience study report was dated June 1, 2019, so the new demographic assumptions are first used for the Police and Fire demographic assumptions in the August 31, 2020 valuation.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 5: Other Postemployment Benefits (OPEB) - Continued

Actuarial Methods and Assumptions - Continued

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.

The total OPEB liability at August 31, 2020 was measured as of August 31, 2019. The actuarial valuation was prepared as of August 31, 2018 for members in payment under the plan, rolled forward twelve months using standard actuarial formulae, and for active members an actuarial valuation was prepared as of April 30, 2019, rolled forward four months using standard actuarial formulae. The total OPEB liability as of August 31, 2020 is based on the following actuarial assumptions and other inputs:

Actuarial Assumptions

Price Inflation	2.50%
Municipal Bond Index Rate	3.16%, monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate
Health Care Cost Trend Rate	7.25%, decreasing by 0.25% per year until an ultimate rate of 4.75% is reached in 2028
Cost-Sharing Premiums	<p>Premiums, effective as of November 1, 2018, were trended forward to the valuation date, April 30, 2019 for active members, and backward to August 31, 2018 for members in pay. Civilian premium rates were based on the base plan and the combined rate for Police and Fire was based on an average of the Police group and the Fire group.</p> <p style="padding-left: 40px;">Premiums trended to August 31, 2018</p> <p style="padding-left: 80px;">Police / Fire Retiree - \$9,846</p> <p style="padding-left: 80px;">Police / Fire Spouse - \$12,013</p> <p style="padding-left: 80px;">Civilians Retiree - \$8,791</p> <p style="padding-left: 80px;">Civilians Spouse - \$10,724</p> <p style="padding-left: 40px;">Premiums trended to April 30, 2019</p> <p style="padding-left: 80px;">Police / Fire Retiree - \$10,317</p> <p style="padding-left: 80px;">Police / Fire Spouse - \$12,586</p> <p style="padding-left: 80px;">Civilians Retiree - \$9,211</p> <p style="padding-left: 80px;">Civilians Spouse - \$11,236</p>
Mortality	<p>Civilians: RP-2014 Total Dataset Mortality Table, adjusted for mortality improvement using Projection Scale MP2015.</p> <p>Police and Fire: Employees, Healthy annuitants, and Disabled Retirees with Generational Projection using Scale AA.</p>

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 5: Other Postemployment Benefits (OPEB) - Continued

Actuarial Methods and Assumptions - Continued

The civilian demographic actuarial assumptions for retirement and withdrawal used at the April 30, 2019 valuation date for active members and August 31, 2018 valuation date for members in pay were consistent with the assumptions used in the September 1, 2015 GASB 45 valuation.

The Police and Fire demographic actuarial assumptions are consistent with those used in the valuation of the Lincoln Police and Fire Pension Plan, which are based on the most recent actuarial experience study covering the five-year period ending August 31, 2014. The experience study report was prepared by a prior actuary and is dated October 14, 2015.

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.

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

At August 31, 2021 and 2020, the Fund reported a total OPEB liability of \$257,060 and \$207,247, respectively, for its proportionate share of the collective total OPEB liability for the City. For the years ended August 31, 2021 and 2020, the Fund recognized OPEB expense of \$23,106 and \$16,108, respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	\$ 8,387	\$ -
Differences between expected and actual experience	2,198	1,312
Changes in assumptions	56,891	13,320
Total	\$ 67,476	\$ 14,632
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	\$ 11,229	\$ -
Differences between expected and actual experience	-	1,744
Changes in assumptions	12,778	18,064
Total	\$ 24,007	\$ 19,808

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 5: Other Postemployment Benefits (OPEB) - Continued

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

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, 2022. 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
2022	\$ 9,067	\$ (3,657)
2023	9,067	(3,657)
2024	9,067	(3,657)
2025	9,067	(2,781)
2026	9,067	(880)
Thereafter	13,754	-
	<u>\$ 59,089</u>	<u>\$ (14,632)</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 2020 and trending downward to 4.50% in 2030, 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, 2021	\$ 224,732	\$ 257,060	\$ 295,810

The following presents the Fund’s proportionate share of the total OPEB liability, calculated using health care cost trend rates ranging from 7.25% in 2018 and trending downward to 4.75% in 2028, as well as the Fund’s proportionate share of the total OPEB liability calculated using trend rates that are 1% lower or 1% higher than the current rates:

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability August 31, 2020	\$ 182,994	\$ 207,247	\$ 236,079

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

Note 5: Other Postemployment Benefits (OPEB) - Continued

Sensitivity of the Total OPEB Liability to Changes in the Rates - Continued

The following presents the Fund’s proportionate share of the total OPEB liability, calculated using the discount rate of 2.11% and 3.16% as of August 31, 2021 and 2020, respectively, 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 1.11%	Current Discount Rate 2.11%	1% Increase 3.11%
Total OPEB Liability August 31, 2021	\$ 284,650	\$ 257,060	\$ 232,240
	1% Decrease 2.16%	Current Discount Rate 3.16%	1% Increase 4.16%
Total OPEB Liability August 31, 2020	\$ 227,296	\$ 207,247	\$ 189,076

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 \$250,000 per occurrence; public official’s 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 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, 2021 and 2020. The Fund incurred insurance expense of approximately \$66,000 in 2021 and 2020.

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

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2021 and 2020

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, 2021 and 2020, the City had established a closure/post-closure cost liability of \$17,345,000 and \$16,585,000, respectively, for the municipal solid waste landfill which represents the amount of estimated costs reported to date based on the approximately 65% and 63% of landfill capacity used to date, respectively. The remaining estimated liability for these costs is approximately \$9.4 million, which will be recognized as the remaining capacity is used (estimated to be approximately 15 years).

At August 31, 2021 and 2020, the City had established a closure/post-closure cost liability of \$1,541,000 and \$1,472,000, respectively, for the construction and demolition debris landfill which represents the amount of estimated costs reported to date based on the approximately 41% and 40% of landfill capacity used to date, respectively. 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 31 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, 2021 and 2020, a liability for post-closure care costs is recorded in the amount of \$7,130,000 and \$7,060,000, 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, 2021 and 2020

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 years ended August 31, 2021 and 2020, the City made employer contributions of approximately \$257,000 and \$204,000, respectively, 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 \$442,000 and \$355,000 for the years ended August 31, 2021 and 2020, respectively.

Amounts due from other City funds for solid waste fees are \$14,930 and \$13,642 as of August 31, 2021 and 2020, respectively. Additionally, amounts due from other City funds as of August 31, 2021 included \$377,617 and \$410,491, respectively, of advances to other funds from the Fund. Amounts due to other City funds for administrative and other services are \$329 and \$30,270 as of August 31, 2021 and 2020, respectively.

Required Supplementary Information

City of Lincoln, Nebraska
Solid Waste Management Fund
Schedule of the Fund's Proportionate Share of the
Total Other Postemployment Benefit (OPEB) Liability
August 31, 2021 and 2020

	2020	2019	2018	2017
The Fund's proportion of the total OPEB liability	0.95%	1.03%	1.05%	1.16%
The Fund's proportionate share of the total OPEB liability	\$ 257,060	\$ 207,247	\$ 188,610	\$ 217,414
The Fund's covered payroll	\$ 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	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, 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.